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WEST EUROPE REPORT

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BRIEFS

SORSA SEES NNWFZ PROGRESSING--It is time for the Finnish Government and Parliament to take new steps with regard to the endeavors to set up a nuclear-free zone in the Nordic countries. This wish formed part of Social Democratic Party chairman Kalevi Sorsa's political report to the party congress in Pori. Sorsa was primarily referring to the recent positive developments on the question. Sorsa noted that the deadlocked positions on the zone question have been broken and that the Nordic Social Democrats raised the question with the intention of increasing security in their own area. The Nordic Social Democrats' cooperation committee a month ago approved a joint recommendation covering investigation of the possibilities of setting up a nuclear-free zone in the Nordic countries. The Riksdag Foreign Affairs Committee decided to adopt the same stance. According to Sorsa it should now be the time for action in the matter from Finland's side. He did not go into further detail about what measures could be considered. "There is every reason to hope that it will be possible to bring about concrete negotiations as soon as possible and that the Nordic countries would thus not only be able to reduce tension in their own immediate area but also help to open the door to a further limitation of nuclear arms in Europe," Sorsa said. [Excerpt] [LD081119 Helsinki HUFVUDSTADSBLADET in Swedish 4 Jun 81 p 13]

UPK CHAIRMAN BACKS NNWFZ--"Is the Swedish Government ready to take the initiative for a Nordic conference to discuss the question of making the Nordic countries into a nuclear-free zone?" asked Communist Left Party leader Lars Werner in Boraas Tuesday. "The whole of the Nordic workers movement is now agreed on making the Nordic countries into a nuclear-free zone. Nordic Social Democrats, communists, trade union organizations and peace movement stand united. The Nordic governments must now go from words to action. It is high time to take concrete initiatives and begin the work of securing the Nordic countries as a nuclear-free zone. The Swedish Government and Foreign Minister Ullsten, who have declared their support for the call, are surprisingly quiet and passive, however," Werner said. [Text] [LD291113 Stockholm DAGENS NYHETER in Swedish 27 May 81 p 6]

RIKSDAG COMMITTEE ON NNWFZ--The Swedish Government should continue to remain in close contact with the other Nordic governments over the question of a nuclear-free zone in the Nordic countries. Together they should investigate whether there is a sufficient zone as part of the work toward a nuclear-free Europe. This is the advice of the Riksdag Foreign Affairs Committee contained in a unanimous recommendation covering Riksdag motions on the nuclear-free zone, among other topics. The committee stresses that the Nordic countries are already nuclear-free in practice.

Negotiations on a nuclear-free zone would require the participation of the nuclear powers. The goal is to achieve reductions in their possibilities of using nuclear arms. Sweden has demanded that medium-range missiles and tactical nuclear arms intended to reach targets in the Nordic countries should be withdrawn as part of a zone agreement. "Sweden has continuously adhered to this view for a number of years. The view is shared by the committee," the recommendations states. The question will be debated in the Riksdag Tuesday. [Text] [LD031223 Stockholm SVENSKA DAG-BLADET in Swedish 21 May 81 p 6]

CSO: 3109/197

TORRISI REPLIES TO SOVIET ACCUSATION OF MILITARISM

Rome IL SETTIMANALE in Italian 14 Apr 81 pp 16-17

[Report of interview with Adm Giovanni Torrissi, chief of the Defense General Staff, by Antonio Tajani: "The Nerve To Call Us Warmongers!"; place and date of interview not given]

[Text] The Soviet press has painted him as a sort of ruthless corsair in the Mediterranean, a military warmonger ready to endanger world peace. "Admiral Torrissi," writes PRAVDA, the official journal of the CPSU [Communist Party of the Soviet Union], "wants to set himself up as the guarantor of the Mediterranean, but he forgets that this sea is not Italy's private property and that the peoples of some 10 countries that border on it want instead to transform it into a sea of peace, cooperation and trade."

Chief of the Defense General Staff, 63, a native of Catania, and one of the leaders of the change in our armed forces, Giovanni Torrissi has become, together with Defense Minister Lelio Lagorio, one of the targets of the USSR. Behind this personal attack lie several hidden motives. First among these is an attempt to force the Forlani government to retreat on the issue of the Euromissiles. But it is also a signal of Soviet discontent over the trade relations Italy has formed with some of the Third World countries not aligned with the communist bloc.

On the eve of some important international gatherings (ratification of the treaty with Malta; the Atlantic Pact defense ministers summit on nuclear strategy; the meeting in Amsterdam, also among high-ranking NATO officials, on conventional defenses), and since the Italian military seem to have definitively changed their old image, IL SETTIMANALE has had a detailed discussion of the situation with Admiral Torrissi.

[Question] The Soviet newspapers, without mincing any words, have characterized Italy as a country that has fallen prey to "militaristic delirium."

[Answer] Not at all a militaristic delirium! Those are totally groundless accusations. We are not militarists by vocation. And even if we were, we would not be so out of political and historical orientations. Let me be clear on this point once and for all: Ours is a nation that seeks only to have only the armed forces capable of safeguarding our security. Nothing more. This is the right of every sovereign people.

[Question] What is behind these broadsides from the Soviet Union? In short, granted that ours is not a nation on a war footing, what are the Russian accusations aimed at?

[Answer] I think they are seeking to influence our public opinion. Let me explain: By crying "Wolf! Wolf!", they are trying to break down the climate of excellent relations that exists today between the citizenry and the armed forces. The fact is that this more lively, more effective sharing of our society by the military worries the Soviets. But they have chosen the wrong way to attack it, a way that appears to me totally childish.

[Question] It is not childish if its intent is to pressure our government to pull back on the Euromissiles issue.

[Answer] I agree it is evident that the USSR seeks to influence this issue. I do not believe, however, that its pressures can succeed. Parliament has already made its position known with respect to the Euromissiles issue. But this is not surprising on the part of the Soviets: It is all part of Soviet policy which could be summarized in the classic "What we preach is one thing; what we practice is another." Instead of accusing us of being militarists, however, the Soviets should set the example by abandoning the arms race. But they do not do so.

[Question] On the arms industry. According to Moscow, the Italian one is flourishing and represents one of the most worrisome aspects of our nation's "militarism."

[Answer] This issue also needs to be addressed clearly. Like all the major industrial nations, Italy, with an advanced technology, is also in a position to compete in a freely competitive market system.

[Question] But Italy is among the leading producers of arms.

[Answer] Let us not allow our thinking to be clouded by scalar graduations. If we examine the facts closely, we discover that the world market does a turnover of 300,000 billion [unit not given] annually. Would you like to know how much of this 300,000-billion volume is Italy's? Only 850. This is clear evidence that ours is not a nation of cannon merchants. True, an armaments industry exists. It operates as it should, it is certainly not in the red, and it moves about in a legitimate and monitored market. We need justify none of this to anyone. I repeat: As an industrialized nation, we carry on our activities. Furthermore, we do so only with interlocutors who furnish us maximum guarantees. And let me add: The technology of the industries that work for the armed forces has always been made available to civil life. Examples? The results obtained by military radar have been used for commercial air traffic control.

[Question] Admiral, you have been singled out for blame in person. How do you respond to PRAVDA's barbs?

[Answer] I have no need to defend myself. Only one who is guilty of something needs to defend himself. The evidence speaks for itself. It has never entered my mind, however, to play the role of "guarantor" of the Mediterranean. I have always maintained the contrary view. Precisely in an interview with IL SETTIMANALE, I specified that Italy's role in the Mediterranean is one of pacification and not one of abusing its position for its own profit. I can hardly be any clearer than that...

[Question] About 1 year ago, Minister Lagorio stated that the efficiency of our armed forces was at its lowest level of acceptability. Where is it today?

[Answer] The situation is improving. Obviously, the improvement cannot be called sensational. But I can assure you there is an improvement, and that even though it is slow, it is steady. The programs set up under the promotional laws are being implemented. Everything hinges, however, on our financial resources.

[Question] The 1981 budget provides an increase of 5 percent in expenditures for defense. Is this enough to resolve its problems?

[Answer] Too many people have been alarmed over this issue. Many quarters have made a banner issue of this increase. But if we examine the figures, we find that it is not all that much. Let us see: Three percent of this famous 5 percent has to do with a NATO commitment. Of the remaining 2 percent, 50 billion have been allocated to civil defense. Let us be truthful about it: This increase is a myth. And lacking the necessary funds, we are incurring the risk of having to delay by many years the implementation of the programs indicated by Parliament.

[Question] In short, what do the military want?

[Answer] Nothing earth-shaking: only that the programing over the next 10 years be maintained.

[Question] What is the "medical bulletin" on the state of our armed forces?

[Answer] Our state of health, so to speak, is quite good. It is not yet what one would call robust. But what is certain is that we are no longer ailing.

[Question] It is said by some that our forces would not be capable of defending our borders for more than 10 minutes--in short, that in the face of an enemy attack, our forces would be incapable of defending themselves.

[Answer] Blessed are those who can calculate the duration of our resistance. I am not one of them. Let us be serious: To assess the defensive capability of a country, one must first know what type of attack is involved. Let us also remember that Italy is part of an alliance; it is not an isolated country. There are simply too many factors to evaluate for an exact reply. It is possible that Italy may be able to resist even longer than the 10 minutes being given it.

[Question] The image abroad of our military has changed. Our officers are being referred to as manager types and everyone notes an improvement in the efficiency of our armed forces. What has happened? And secondly: Is this change troubling anyone?

[Answer] Of course, things are changing: The rough-mannered, saber-in-hand officer no longer exists. Today, they are competent officers who want to live in the organized environment of the military-industrial complex. As for troubling anyone, I don't think we have done so to date. We are not seeking to invade anyone's province, we are not trying to be the class leaders, and we are not politically aligned. We want only to do our duty. And when we speak, we do so with the sole aim of setting forth the technical capabilities of the military system as seen in an overall context.

[Question] Even though many aspects of the armed forces have improved, there is still discontent in the intermediate ranks.

[Answer] The discontent, which is of an economic nature, exists in all the social categories. Its existence in the military as well is inevitable. We are doing our utmost. And we hope to resolve the three basic problems: housing, food and pay.

9399

CSO: 3104/273

KURDISTAN LABOR PARTY MEMBERS GO ON TRIAL

Indictment Read

Istanbul CUMHURİYET in Turkish 15 Apr 81 pp 1, 7

[Text] Diyarbakir--The trial of the Kurdistan Labor Party (PKK) continued yesterday in Diyarbakir's Number Two Martial Law Court, and the formal identification of the accused persons was completed. The 256-page indictment, prepared by Presiding Assistant Military Prosecutor Lieutenant Commander Basri Ozgenç and Presiding Assistant Military Prosecutor Senior Captain B. Cahit Aydoğan, was read. Two hundred and eighty-four of those arrested and accused participated in yesterday's proceedings; however, former members of parliament Celal Paydos, Ahmet Turk, and Mustafa Kilic were not present at yesterday's hearing.

In the wake of preliminary investigations, the indictment discloses the acts that 447 of the 2,881 suspects committed in various regions.

The indictment contained the complete rules and regulations of the Kurdistan Labor Party (PKK). They indicate that the party is organized into cells, village committees, town committees, regional committees, a central committee, a politburo, an oversight and intelligence committee, a party general secretariat, and a congress, and that three members of the seven-member central committee separately formed a Central Administrative Committee.

It was made known that the Kurdistan Labor Party Central Committee was composed of General Secretary Abdullah Ocalan (nicknamed "Apo" and code-named "Welat"), Cemil Bayik (code-named "Siyar"), Duran Kalkan (code-named "Bir'ndar"), Baki Karer, Mehmet Bayri Durmuş (code-named "Heval"), Mehmet Karasungur (code-named "Azad"), and Yildirim Merkit; and that, in addition, due to their arrest or for other reasons, these members had been replaced by others, with Mazlum Dogan, Ali Haydar Kaytan, Reside Yildirim, and Kemal Pir from time to time serving on the Central Committee.

From among these, Abdullah Ocalan is still at large.

It was revealed that after entering upon a period of party formation, foreign representation was established, and for this purpose Dogan Karakoc was given charge by Abdullah Ocalan of organizing their fellow compatriots of Eastern and Southeastern Anatolian origin who were in Germany.

The indictment also indicated that the Kurdistan Labor Party was active in the form of an Ankara Regional Committee, a Gaziantep Regional Committee, an Urfa Regional Committee, a Bingol Regional Committee, an Agri and Kara Regional Committee, a Tunceli/Erzincan/Elazig/Malatya Regional Committee, a Diyarbakir Regional Committee, a Siirt/Bitlis Regional Committee, and a Mardin Regional Committee. According to the indictment, the aim of the party was "to found an independent and united state of Kurdistan by means of a revolutionary struggle which would be based on Marxism-Leninism and which would be waged in the territory assumed as being in Turkey but really under the occupation of Turkish soldiers and colonists," and, according to ideas defended by the accused members, it would also be necessary for Kurdish autonomous areas under the sovereignty of other countries to be liberated by the Kurds living in those areas.

Under the heading "The organization's reasoning and activities as regards foreign contacts," the indictment reads:

"As indicated above, it has been established that the organization set up an agency in Germany and that the individual named Dogan Karakoc was made head of this agency. This agency was given the responsibility of establishing a network among the workers located abroad and of obtaining material and moral support from abroad for the organization. The organization's members made preparations for foreign connections and contacted several foreign powers in the belief that it was necessary to use foreign spheres of action to insure the continuity and the ultimate success of their struggle. They entered into relations with organizations promoting the Kurdish identity in Syria and thereby established contact with Syrian Kurdish nationalist groups. Noting that the Kurdish nationalist groups active abroad were involved in a leadership contest, they nevertheless advocated mutual political support and the necessity of advancing it at the same time as furthering the ideological struggle. They decided to send representatives from their central administration to Iran and Iraq for the purpose of further explaining their ideology."

Also according to the indictment, it has been established by means of documentary evidence that, following meetings which a Central Committee member had with the Palestine Liberation Front, party militants in groups of 50 people each were sent to Palestine for training, and that other similar preparations were made.

According to the indictment, the accused persons have killed 243 people, including 30 security officials, since 1978, and consequently the death sentence is being asked for 97 of the accused.

The trial of the illegal Kurdistan Labor Party was recessed until Monday, 20 April, when the examinations of the accused will begin.

Apoists State Their Aims

Istanbul MILLIYET in Turkish 22 Apr 81 p 6

[Article by Hayri Birler: "One Apoist: 'We Would Have Founded a Separate State'"]

[Text] Yesterday Hamit Baldemir, the Diyarbakir regional representative of the illegal PKK organization known as the Apoists, was questioned, and the accused stated that "Imperialists drew the map showing Eastern and Southeastern Anatolia inside the boundaries of Turkey."

The questioning of the organization's Diyarbakir regional representative Hamit Baldemir was carried out first in the examination, beginning yesterday at the Number Two Military Court of the Seventh Corps-Diyarbakir Martial Law Command, of the people accused from Diyarbakir province and Ergani district. Hamit Baldemir is being tried on charges of ordering the killing of four people including three civilians and one policeman, of wounding one person, of forcing tradesmen to close their shops, and of founding and leading a secret organization, and the accused faces a possible death sentence on 3 counts.

Hamit Baldemir stated that the indictment was only recently communicated to him and that it was necessary to recognize an extension for the examination, but the bench committee did not accept this request. Baldemir indicated that he had joined the organization at Hilvan in 1975, that he had later worked in Ergani, and that during this time he was given the position of Diyarbakir regional representative. He spoke as follows:

"The PKK is not a gang of rebels, it is a political organization. Its intent is to found an independent republic. The organization has resorted to military actions in order to protect itself. Do not call us Apoists. We are not a group following one individual. We are a party organization with an aim, a set of rules and regulations, a program, and a class consciousness. The imperialists drew the map which shows Eastern and Southeastern Anatolia inside the boundaries of Turkey."

Upon hearing these words of the accused, the presiding judge asked, "What do you mean by this speech of yours?" and the accused continued the dialogue as follows:

"A country gains its independence only by means of long-term popular struggle. We reject the indictment's accusation of collective insurrection. We are conducting a popular struggle, not a collective insurrection. The reason for this is that we do not believe that a state will be established by peaceful means."

When the military judge asked, "How will the popular struggle be brought about?" the accused Baldemir replied:

"A popular front under the leadership of our party will be established; later a people's army will be formed. Our struggle then evolves from defense, to a balanced posture, to attack. Our organization is centralized right from the top to the bottom, and our supreme organ is the congress."

Baldemir said that they had declared the dates of 21-28 April 1980, "Red Week" in Diyarbakir and that they had decided to commence actions against the aghas and the police in order to take revenge for the incidents at Siverek, Derik, and Kiziltepe.

Later they questioned Akif Yilmaz, who acted as the regional secretary of the Diyarbakir-Ergani branch to which belonged 106 of the accused.

9793

CS01 4907/245

PLAN SUBMITTED FOR USE OF WIND-ENERGY MILLS

Copenhagen INFORMATION in Danish 27 Apr 81 p 8

[Article by Torgny Moller]

[Text] A number of large cities can be totally or partially supplied with electricity and heat from windmill parks placed outside the cities in shallow water along the coast. And these installations will be competitive, both technically and economically.

That is the opinion of consulting engineer Kiel Jorgensen based on detailed project designs for Kalundborg, Nastved, Nakskov, Korsor, Hanstholm, Horsens and Ebeltoft. These designs are now being studied by municipalities, heating plants and private enterprises that have shown an interest in the projects.

Kiel Jorgensen has worked on these projects for 6 months. The starting point was, as he himself expressed it, "a long life in the electric service industry, strongly influenced by the industry's negative attitudes about wind energy, which were correct based on a superficial point of view."

The misgivings about wind energy concerned three areas in particular, which Kiel Jorgensen began to study:

- 1) Is wind energy sufficiently developed technically that one might use a large number of series-produced windmills of the proper size to provide an adequate amount of energy?
- 2) Would it be economically feasible to use wind energy both publicly and privately today? and
- 3) Actually, how close is the connection between the need for electricity and heat on the one hand and wind on the other?

Twenty Percent Interest on Investment

At a press conference Friday, Kiel Jorgensen explained the results of his study which was done in cooperation with electric companies and meteorological weather stations. He also presented a model of a "Wind Energy Power Plant," comprised of 150 windmills.

With respect to point 1, there are series-produced windmills in sizes up to 55 kilowatts on the market today. Kiel Jorgensen, in cooperation with a manufacturer that already produces windmills, has demonstrated that the largest type of windmill on the market today with standard equipment such as gears, generators etc is 90-100 kilowatts. Parts for larger windmills must be developed or constructed separately. That is one reason the electric companies' and the government's experimental windmills became so much more costly in terms of installed effectiveness than are the smaller windmills on the market. The price of a 90-kilowatt windmill is about 410,000 kroner when the mill is series-produced, according to Kiel Jorgensen and Nordtank, the manufacturer he worked with in calculating costs. This size mill will produce about 170,000 kilowatt hours annually and, if the production is used for both electricity and heat and if excess production can be sold during periods of heavy winds, interest on the invested capital would exceed 20 percent already the first year.

Kiel Jorgensen has submitted his calculations to electric companies as well as the chairman of the government Energy Research Committee, professor Morten Lange, and has asked them to comment on them.

"Electric companies have expressed interest in the projects, but have not commented on the figures. Morten Lange has not even responded," said Kiel Jorgensen.

"I am not saying that these plans are epoch-making and not at all suggesting that my modest calculations fairly well explore the matter," said Kiel Jorgensen. "But I am critical of the fact that the Energy Research Committee has not even made a rough study of the relationship between the electric companies' need for energy, their output and windspeed data to analyze the situation and the technical issues involved. It is really outrageous that we are still using enormous amounts of energy to heat water for producing high-pressure steam, only to let paddle-wheels run generators, just like in the infancy of steam energy. That obviously makes electricity expensive. And alderman Lennart Larsson, Odense, is correct when he points out that this is actually the biggest waste of energy in Denmark. In order to correct the situation somewhat, they are now talking about utilizing potential excess heat generated by power plants for remote heating, which would mean enormous transportation costs and great heat losses in the process. Apparently nobody takes into consideration that individual homes already have installations that could be expanded without much trouble to provide electric heat, perhaps stored electric heat. And wind energy is better suited for this purpose than most power plant personnel and experts tell us."

Close Relationship Between Wind and Electric Needs

Over the last 7 years, Kiel Jorgensen has studied windspeeds at certain periods of the day and night in January, February and December when a local electric company ARKE had the heaviest load demand and compared the two. His findings not only show that there is wind when consumption is at its peak, but also that windspeeds and load demands are so closely interrelated that both peak at the same time. According to Kiel Jorgensen, this documents that wind energy is not just an accidental phenomenon, but that it can be utilized effectively.

"And I want to point out that these studies were made in an area where there is little use of electric heat," said Kiel Jorgensen. "In South Jutland, for example, where electric heat is far better developed, the ratio will be even more noticeable because heat consumption is directly related to wind periods."

Based on these investigations, Kiel Jorgensen has calculated the group placement, the number of windmills, and their production. Everywhere he tried to place the windmills in shallow water, partly because they are visually less disturbing than land-based windmill parks and partly to take advantage of the higher windspeeds across the ocean. Civil engineer Mogens Johansson with the Danish Power Plant Association recently published a study in the association's newspaper which concludes that ocean-placed windmills can produce up to 40 percent more electricity than land-based ones.

Ebeltoft Remote Heating Plant, a project which is well underway, is working with the possibility of establishing three groups of windmills outside the city. A total of 150 windmills are expected to produce 36 megawatt hours annually. Of that energy, the remote heating plant expects to use 24 megawatt hours in the form of heat, while the local electric company--which has said it will take any excess production--will get 12 megawatt hours in the form of electricity. Contrary to normal procedure, the production of electricity from Kiel Jorgensen's project is expected to be delivered to the electric company in the form of high tension electricity.

In 7 years, savings and the sale of electricity will exceed the cost of financing the 150 windmills if the price of electricity goes up by 6.5 percent every 6 months, according to calculations.

Kiel Jorgensen has also submitted his figures to the Ministry of Energy, partly because he feels that projects of this kind are of interest to cities and companies other than those he has contract with and partly because they are important to Denmark from a political point of view, both with respect to employment and exportation, if wind-energy technology can be used on this scale. By using windmills of this type, 16,000 mills and a total investment of 8 billion kroner would cover 10 percent of our electric consumption. They would also provide more than 26,000 jobs.

89.7

CSO: 3106/118

OFFICIAL REPORT DETAILS GREATER RELIANCE ON NORTH SEA OIL

Copenhagen INFORMATION in Danish 7 May 81 p 3

[Text] The changing oil crises have strengthened the monopoly held by large multinational oil companies in Denmark. The so-called "seven sisters" have captured 80 percent of the gasoline market and between 70 to 75 percent of the heating oil market. Furthermore, among the seven large oil companies, Esso, BP, Shell and Texaco are about to take over the dominant share of the market. The small independent oil and gas companies have largely been forced out of business due to the supply and price crises in the 70's.

This and much more can be found in the report on conditions in the oil branch that was issued by the Monopoly Inspection Board after just 2 years of work. The work was started when the Consumer Council and the Labor Trade Council together in the summer of 1979 asked the Monopoly Inspection Board to study prices and profits on oil and gasoline. The board essentially found that even though much of the international oil trade is being handled "state-to-state," the large oil companies' dominant position has virtually not been affected-yet.

In spite of the establishment of new companies, like the state-owned DONG in Denmark and Norask Hydro in Norway, the "seven sisters" still have almost as large a share of the market as they did 10 years ago. First of all, they have taken over that share of the market which belonged to smaller "independent" companies. And because they not only import and distribute oil, but also refine it and trade in oil products, they have largely been able to hold their position.

The Monopoly Inspection Board's report states that consumer prices on oil products in Denmark are on the level with prices in other EC countries. The large oil companies' influence on international trade has primarily been reduced in producing countries where the oil industry has been nationalized so that the oil companies' share of the production has dropped to less than 30 percent since the 1973 oil crisis. Producing countries or their national oil companies have also purchased tankers, while the major share of the world's tanker fleet has been in the hands of the oil companies up to now. However, the "seven sisters" continue to be the producing countries' largest customers.

The report also states that the market price on crude oil rose from \$1.28 per barrel (159 liters) in 1970 to \$32 in January 1981; that this price increase together with lower transportation costs made oil production profitable in large areas of the North Sea;

that Denmark's oil importation from the Middle East has dropped from 80 to 40 percent from 1975 to 1979, while it has risen from 0 to 38 percent from the North Sea and from 6 to 14 percent from the Soviet Union;

that tanker capacity as well as refining capacity continue to protect the large oil companies' dominant position with respect to Danish oil supplies;

that, in the opinion of the Monopoly Inspection Board, Dansk Olie og Naturgas A/S (DONG) will become a dominant force in the oil branch, which is why the board has insisted that DONG be registered like the "seven sisters;"

that the consumer price on gasoline includes the following: importation and refining 178.63 ore, gross profit 26.20 ore, taxes 192 ore, dealer profit 21.20 ore and VAT 91.97 ore, altogether 510 ore per liter, while the price of 2,705 kroner per 100 liters of heating oil (as of 28 February 1981) has been computed on the basis of importation and refining 1,662.21 kroner, gross profit 195 kroner, taxes 360 kroner and VAT 487.79 kroner;

and that Denmark's oil consumption has dropped from approximately 18 million tons in 1970 to 16.5 million tons in 1975 and to just over 14 million tons in 1980.

8952

CSO: 3106/118

BRIEFS

NEW OIL FIND--The Danish Underground Consortium (DUC) has made another promising oil discovery in the Danish portion of the North Sea. The new discovery is Rosa-1, which is located approximately 15 kilometers west of Gorm, Denmark's largest oil field. The rig "Dyvi Beta" just finished drilling there and found several oil and gas layers. A.P. Moller described the operation as "promising," but it is still too early to specify the magnitude of the discovery. [Text] [Copenhagen INFORMATION in Danish 24 Apr 81 p 9] 8952

CSO: 3106/118

NUCLEAR POWER ACCOUNTED FOR 17 PERCENT OF ELECTRICITY IN 1980

Helsinki HELSINGIN SANOMAT in Finnish 9 May 81 p 24

[Article: "17 Percent of Electricity from Nuclear Power Plants"]

[Text] Last year Finland's nuclear power plants produced 6,682 gigawatt hours of electricity or approximately 17 percent of Finland's electricity consumption. By the end of last year the total production of electricity from nuclear power plants was 18,638 gigawatt hours, which corresponds to approximately 4.7 million oil tons in a standard condensing plant.

"The final quarter of last year was significant for the nuclear power plants in that for the first time all four nuclear power plants produced electric energy for national network simultaneously," states the quarterly report of the Radiation Safety Institute concerning the use of nuclear power plants.

The highest coefficient of utilization was achieved last year by Teollisuuden Voima's (Industrial Power) unit one, which had a rating of 0.74. The utilization coefficient for Loviisa I was only 0.36 because of long periods of inoperation. However, since they began producing electricity Loviisa I comes out ahead with a rating of 0.65. The accumulative utilization coefficient for unit one of Teollisuuden Voima at the end of the year was 0.58.

Since Loviisa II began producing electric energy its utilization coefficient has been 0.53 and the rating for Teollisuuden Voima II has been 0.13. For the first time all the plants delivered electricity to the nation's network at a nominal output of 2,200 megawatts on 28 December.

In the report for the final quarter of last year concerning the functioning of the various power plants it states that Loviisa I was restarted in the middle of December after a 7-month long down time, an experimental operation of Loviisa II was begun in the middle of October, Teollisuuden Voima I operated at full capacity except for a few interruptions for maintenance inspections, and Teollisuuden Voima II continued experimental operation in the middle of October after a nearly 2-month long interruption.

A total of nine incidents or observations significant from the point of view of nuclear safety were recorded during an inspection of the plants. Some of them are a continuation of previously made observations. The incidents or observations are not according to the report detrimental to the safety of the plants.

CONFINDUSTRIA REPORT ON PETROLEUM INDUSTRY, ENERGY SOURCES

Rome RASSEGNA PETROLIFERA in Italian 17 Apr 81 pp 342-346

[Article: "The CONFINDUSTRIA (General Confederation of Italian Industry) Meeting-- Italian Industry and Energy"]

[Text] As is our custom, we present below the chapter on the oil industry and energy sources from the report presented to the CONFINDUSTRIA meeting held in Rome on 15 April last.

Oil Industry

The international oil situation in 1980 was characterized by a drop in demand--a sharp drop vis-a-vis the reduction of supply and a high level of reserve stocks.

According to estimates that are still provisional, the Western World's oil demand came to 50.5 million barrels per day in 1980 as against 51.8 million in '79; in the most highly industrialized part of it, represented by the 21 countries belonging to the IEA [International Energy Agency], the drop in consumption was about 7 percent.

Because of the excess of supply over demand that occurred from the end of 1979 through all of 1980, the Western World's effective stocks rose steadily up from their normal level until the outbreak of the Iran-Iraq conflict in September 1980, which unexpectedly deprived the world oil market of about 4 million barrels per day (that is, about 200 million tons per year).

The contraction of demand, the high level of stocks, and the production increase by certain producer countries in order to compensate for the lack of production by the two belligerents made it possible to cope with the temporary shortage of crude [word(s) missing] the destabilizations generated by frantic hoarding (with disruptive effect on the prices of crude and refined products) that had, in contrast, characterized the Iranian crisis of 1979.

In the first part of 1981 also, effective world stocks exceed the normal level by 300/400 million barrels per day [as published], while exports from Iran and Iraq (though they are still in a state of war) are gradually resuming and further contractions of world demand are indicated.

The satisfactory availability situation for crude has not, however, kept the selling prices fixed by the producer countries from continuing to rise: the most representative FOB price for crude--Arabian Light--which at the beginning of the year was \$24 per barrel, had reached \$32 per barrel at year's end, and in the same period, Libyan light crude rose from \$30 to \$41 per barrel.

On the basis of provisional estimates, energy consumption in Italy in 1980 decreased by 1.2 percent from 1979, resulting from an increase in solid fuels and a contraction of more than 3 percent for oil.

The drop in energy consumption is significant in a year in which production activity registered an appreciable rate of increase; this confirms the trend, already evident in recent years, toward containment of energy consumption in our country also.

Energy Consumption in Terms of Primary Sources

(millions of oil-equivalent tons)

	<u>1979</u>	<u>1980*</u>	<u>% Variation</u>
Solid fuels	11.3	12.5	+ 10.3
Natural gas	22.9	23.1	+ 0.9
Electrical energy (hydro- logical, geothermal, nuclear)	12.9	12.8	- 0.8
Oil	102.1	98.8	- 3.2
Totals:	149.2	149.2	- 1.2

* Provisional data

Despite the decrease in 1980, oil continues to represent more than 67 percent of the country's total energy consumption.

The oil sector's activity has been characterized by a considerable drop in the refineries' processing (down 18 percent), due mainly to the decrease in processing for foreign customers [word(s) missing] the absence of activity by the installations of several important firms in the sector.

With 96.5 million tons of raw material treated (crude + semirefined products), usage of fractionating capacity was 54 percent.

The drop in processing has been paralleled by a considerable increase in importation of refined products, which doubled that of 1979.

As the petroleum balance-sheet shows, there has been a contraction in all sectors of activity, especially in sales to the foreign market (export bunkering), which are largely accounted for by the processing of crude for foreign customers.

The change in the role of the various categories of operators has been reflected has been reflected in their shares of coverage of the domestic market's demand, through a further strengthening of the position of the firms of the public group and of the importing firms.

As compared with 1979, sales of petroleum products in the domestic market showed quite different variations from product to product and from one line of use to another.

The moderate increase in gasoline consumption (in the framework of a sizable increase in the automotive fleet) is imputable mainly to the price increase, from an average of 530 lire per liter in 1979 to an average of 715 lire per liter in 1980.

Sales of diesel fuel for automotive purposes followed a decreasing pattern during the year, in line with the deceleration in production.

Processing of Crude by the Refineries

(millions of tons and percentage of variation from previous year)

	<u>1980</u>	<u>% of Variation</u>
Crude for own account	78.7	- 15.0
Crude for foreign customers	12.5	- 35.6
Total	91.2	- 18.5

Oil Balance-Sheet, 1980

(millions of tons and percentage of variation from previous year)

<u>Availability</u>	<u>1980</u>	<u>% of Variation</u>	<u>Use</u>	<u>1980</u>	<u>% of Variation</u>
Raw material processed	96.5	- 13.8	Domestic market	81.0	- 1.2
Imports	15.3	+ 104.0	Petrochemical	6.5	- 13.8
Totals:	111.8		Bunkerage	4.3	- 17.3
			Exports	11.9	- 47.1
			Consumption & losses	7.0	
			Increase in stocks	1.1	
			Totals:	111.8	

Shares of Domestic Market

(as percentages)

	<u>1979</u>	<u>1980</u>
ENI [National Hydrocarbons Agency]	37.2	39.4
Multinationals	37.5	38.0
Independents	22.2	16.2
Importers	3.1	6.4
Totals	100.0	100.0

The considerable drop for heating fuels expresses the consumer's attitude toward saving, apart from the stress of the price increases for the fuels themselves.

The reduction in sales of fuel oil to the industrial sector (as against production activity that increased by 5.5 percent) is explained by the first results of the action taken to improve energy-use processes, with greater use of coal in the cement-plant sector and with industry's tendency to import semifinished products that correspond to the production processes with highest energy consumption.

Sales of Petroleum Products in the Domestic Market
(millions of tons)

<u>Products</u>	<u>1979</u>	<u>1980</u>	<u>% $\frac{1979}{1980}$</u>
Automotive gasoline	11,960	12,120	+ 1.3
Kerosene for heating	1,101	793	- 28.0
Jet fuel	1,598	1,616	+ 1.1
Automotive diesel fuel	9,680	9,926	+ 2.5
Gas-oil for heating	12,370	11,560	- 6.5
Industrial fuel oil	15,100	14,580	- 3.4
Fuel oil for heating	4,140	3,410	- 17.6
Thermoelectric fuel oil	18,270	14,420	+ 6.3

The increase in sales of fuel oil for thermoelectric production is related to the increased demand for electrical energy (up 3.1 percent), about 56 percent of the production of which was accounted for by petroleum fuels.

As regards the refineries sector (thus excluding the sectors of activity downstream from the refining phase), the following can be estimated for 1980, as compared with 1979:

--an increase of 500 in the number of persons employed (from about 12,500 to about 13,000);

--no variation in effective primary fractionating capacity, which remains at 178 million tons per year;

--a considerable increase in investment, from about 115 billion lire in 1979 to more than 200 billion in 1980, aimed at the upgrading of processing yields, energy savings, and adherence to the growing ecological restrictions.

The new National Energy Plan was prepared in 1980; rapid approval and immediate implementation of it is hoped for, so as not to aggravate further the risks represented by serious retardation in this fundamental sector of our economy.

As regards the Public Administration, the greatest difficulty encountered by the sector was related to correct application of the new method for determining selling prices--a method introduced at the end of 1979 and based on the principle of assuring the Italian oil industry of earnings levels in line with the European ones. During the year, there was a steady lack of timely recognition of the existence of extremes for the updating of the prices, thereby obviating the very premise on which the new method is based and putting the Italian market's operators into an obvious condition of inequality vis-a-vis the operators of other countries--a condition felt all the more at times (such as the end of 1980-beginning of 1981) characterized by a sharp increase in the cost of crude, aggravated by the accelerated dynamic of the cost of the dollars used to pay for the raw material.

Energy Sources

The Oil Problem

The year 1980 went by with a constant and fruitless wait for decisions by the government and by the Parliament in the matter of energy--decisions that could give the

country a sure and well-defined frame of reference in which to make the coherent decisions relating to the firms' activities. The oil problems have been at the center of the concerns of all the industrialized countries, and of Italy in particular, both because of the price increases decided on at the Algiers and Bali meetings (which produced an overall average rise of about 30 percent over the end-of-1979 prices) and because of the total interruption of supplies in consequence of the ongoing conflict between Iran and Iraq. The dropoff of Iranian supplies that had already occurred during 1979 (down 85 percent) made the interruption of supplies of crude from that country less burdensome; but the Iraqi situation was different, because supplies had been far larger in quantity (in 1979 they represented about 20 percent of the total and in 1980 fell to about 15 percent), with the consequent necessity of going to other supply sources. The high level of the stocks accumulated during the first half of the year and the recession that hit the production sectors in the second half did not produce a product-availability crisis, even though shortage symptoms, the effects of which will be manifested in the first months of 1981, were already becoming evident in the final months of 1980.

Once again, as regards the concerns for the future, there is a delay on the government's part in aligning domestic prices with those of the other countries; but more generally, the prices and rates policy is completely out of touch with the reality in which the country must operate. Despite the government's repeated pledges to achieve in short order, for those petroleum products still subject to administered prices, a transition to the oversight system--as CONFINDUSTRIA has repeatedly called for--nothing has been done. In the area of electric-power rates also, no progress has been achieved toward the hoped-for substantial restructuring of the rates based on a cost/earnings correlation and oriented toward improvement of the curve of the energy-withdrawal charts.

Taking into account the fact that for our country, oil will continue in the coming years also to be the main energy source, CONFINDUSTRIA has called attention to the fact that if it is desired to stay in the international market, adequate policies both in the matter of prices and in the matter of administrative procedures for the exportation and importation of finished and semifinished petroleum products are required; and the hope has also been expressed that, within the framework of international coordination, action will be taken by the state vis-a-vis the producer countries, so as to ensure further oil availability to our country--but with respect for the principle of not working discriminations among the majority of the operators (word(s) missing) not conferring a privileged or exclusive character on any eventual prevalent role of the state agency.

Energy-saving

In the field of energy-saving, the government should be put on notice to propose concrete solutions even if they come late by comparison with other European countries. Even though the bill (Senate No 655) relating to incentives to energy-saving and the use of energy from renewable sources constitutes a "stopgap" approach good for a time and as such is necessarily limited, CONFINDUSTRIA has judged it positive on the whole, inasmuch as it would finally initiate, in our country too, a policy to offer incentives to saving. In the opinion of CONFINDUSTRIA, this provision--which, once it became law, could be applied rapidly, inasmuch as it does not require a specific rule-making--puts the central administration and the local ones under the necessity of preparing in time for putting it into effect immediately.

Despite the government's and Parliament's action in support of rapid approval of the measure--a necessity that was also stressed in a hearing held by the Industry Committee of the Senate--the entire year went by without the bill's making it through the first phase of approval by one of the two branches of the Parliament.

Still on the subject of energy-saving, and especially as regards domestic heating, CONFINDUSTRIA has once again stressed the advisability of removing the obstacles of a legal and financial nature that stand in the way of implementation of Law 373. In particular, it has been pointed out that many commune administrations are finding it impossible to make their staffs capable of carrying out the efficiency-checking and censusing of the installations located in the territories under their competence. The impossibility of getting such action started produces negative effects on the level of containment of energy consumption, hindering, on the one hand, the achievement of important results in this field too, and on the other, the establishment of any programming of action, in the absence of the necessary data foundations.

Even though the positive results are recognized in the area of energy consumption in the 1979-80 heating season because of the measures to set up the time-blocks, it should be pointed out that nothing has been done by the government--despite the repeated urgings--to propose again a measure analogous to that of the preceding year, with the opportune adjustments dictated by experience. This has entailed not only disorientation of the individual users but also a sizable expenditure of resources, with consequent further deteriorations of our debit position.

Furthermore, there are still disturbing delays in development of the legislative provisions for containing energy consumption in the industrial sector, whereas rapid approval could, on the one hand, facilitate the action taken by the production sector for rational and correct use of the various energy sources, and on the other hand, could make easier the transformations which the level of energy costs and their upward trend make it necessary to put off no longer. Nor has there been any legislative action aimed at reducing the country's dependence on imported oil, through well-organized exploration and development of liquid and gaseous hydrocarbons and of geothermal resources. The initiatives taken by the government in the past, with the presentation of specific provisions that then died as the legislature was coming to an end, have not been reconfirmed by being presented again, despite the Ministry of Industry's declared readiness to proceed in that direction. As regards the first measure, albeit with some reservations, related in particular to the preferential status accorded to the ENI as regards the hydrocarbons discovered, CONFINDUSTRIA expressed a broadly favorable judgment, inasmuch as the measure was considered capable of stimulating the development of national production from such energy sources. The second measure was favorably received also, but on condition that exploitation of the low-heat-content fluids discovered through the exploration be extended to the private firms also.

In the absence of concrete provisions in the energy field, the initiative of Cnos-Tecnoservizi, in collaboration with the Italian Union of Chambers of Commerce and CONFINDUSTRIA, for development of a system of assistance in favor of small and medium-size firms for rationalization of energy consumption, has taken on special importance. This initiative is aimed at filling in the gaps in the field of diffusion of knowhow and transfer of technology to the world of production and remedying the inevitable deficiencies which, especially at the level of small and medium-size firms, occur in the organization of energy-diagnosis services and services that pinpoint adequate measures for rationalization of consumption.

CONFINDUSTRIA's Position on Energy Topics

In October, a CONFINDUSTRIA document was issued on energy topics in general and in particular, on the evaluations and proposals that the production categories want to propose with regard to them; in particular, the document specifies what can and must be done right away in order to put into effect in the brief period from other measures of broader scope (as published), the results of which will be manifested in the medium term, but the adoption of which must also be immediate.

In view of the precariousness of the energy situation, the short-term initiatives must be aimed at reducing the area of uncertainty to a minimum, while safeguarding the production uses in particular; they should therefore have the goal of: guaranteeing oil supplies; offering incentives to energy-saving; achieving a system of oil prices and energy rates that are linked to, respectively, the reality of the international market and the costs of production; developing a system of oil stocks and an energy-rationing plan for the eventuality of international shortages. For the medium term, the strategy should provide for gradual replacement of oil by other energy sources (nuclear power and coal in particular), aiming at concentrating oil in the areas in which there is no substitute for it (automotive uses, petrochemicals, etc) and at developing, in the same context, the renewable energy sources and the energy-conservation programs.

If measures aimed at giving concrete form to this strategy are not provided for immediately, our oil position will become increasingly tighter and will be aggravated by the now obvious tendency of the producers to reduce supply and raise prices, and will end by widening the gap that already separates us from the other countries in the area of incentives to energy conservation and development of the renewable sources, use of alternative energy sources (coal, nuclear power, geothermal energy), and pure and applied research. It should also be noted that remaining tied to oil even for uses in which it is not technologically necessary entails a greater burden for industry, which is obliged to pay ever higher costs for energy (especially electrical energy) as compared with competing countries whose industrial systems have the advantage of energy policies that are already in effect.

The New National Energy Plan

As a result of the new energy reality that has come about because of the Iranian events and the blocking of construction of the traditional and nuclear power plants, because of the possibility of translating into practice the program lines of the CNPE (Interministerial Committee for Economic Planning) decisions of 23 December 1977 for implementation of the National Energy Plan, the Ministry of Industry has prepared a new version of the Plan. On this document--which, however, has not been completed in detail and is subject to government approval--CONFINDUSTRIA has formulated an initial series of observations, expressing first of all its own appreciation of the initiative taken by the Ministry of Industry--an initiative all the more opportune in that the seriousness of the situation is now such as to make indispensable a rapid launching of at least some of the measures indicated by the Plan, independently of the launching of the others in their own context, since the degree of consensus on the individual provisions is not high.

The position judgment expressed by CONFINDUSTRIA relates first of all to the posture taken by the program document, which appears to have overcome the old logic of opposition among the various energy sources and technologies; and secondly, within the

framework of a "technological pluralism," it relates to the strategic objectives, which consist in containment of consumption and substitution of a part of oil's share in the national energy balance-sheet. In this perspective, CONFINDUSTRIA, with the support of its own technical advisory organisms, has devoted particular attention to development of industrial use of coal, the importance of which is underlined also by the scope given to that energy source in ENEL's programs. On the basis of the consumption forecasts for the principal industrial sectors involved (cement, bricks and tiles, independent production of electricity and steam), which come to more than 20 percent of ENEL's production to 1990, it also seemed necessary to pinpoint the technical, legislative and financial conditions capable of permitting coal to contribute significantly to reduction of dependence on oil.

Along with the Plan's positive aspects, there are several negative and preoccupying ones: limited flexibility and lack of reserve margins, especially in evaluation of total energy demand and of the compatibility of the consumption-containment objectives with adequate development of the system. The rigidity of the measures provided for and the long times for implementation of them present the risk, from the industrial point of view, of causing considerable deterioration of the country's electric-power supply system. Indeed, the Plan does not answer the concern for effective coverage of demand in the next 10 years and appears to take for granted a considerable widening of the gap between the variable costs of electrical-energy production in Italy and those of the neighboring countries, by the effect of the different composition of the primary sources used.

Italian industry, which today is already heavily penalized by a rate system that is not tied to the cost-benefit correlation, and one that is recommended also by the European Community, cannot continue to suffer further damage that would jeopardize the survival of entire production sectors; and it is therefore urgent, through courageous measures, to put an end to the special-favor conditions practiced for certain user categories--conditions that have no counterpart in other countries--unless the government intends to operate in a different way--that is, outside the rate system.

The recommendations expressed in the Plan for "sensitive" uses--that is, uses that consume a lot of electrical energy and are often characterized by low added value--seem correct, but it is to be hoped that a more precise definition of them will be given, necessarily preceded by decisions of a political nature aimed at putting the burden of support of those activities which, for strategic and employment reasons, must certainly be safeguarded, on the collectivity and no longer on the rate system.

Community Energy Policy

On the Community level, the orientations in the energy field have substantially followed those that had already emerged in recent years: the Community's interest in concentrating every effort on a policy to offer incentives to the search for new sources, on greater development of conventional sources (coal and nuclear power), and on support of initiatives aimed at rationalizing energy consumption. This approach also encompasses the initiative to prepare a new document concerning energy objectives to 1990, based on the hypothesis of greater development of coal in relation to nuclear power for electric-power production, which represents a reversal of trend from the forecasts formulated in past years.

In the oil area, CONFINDUSTRIA has expressed a substantially favorable judgment of the initiative taken by the Community to set up a system for registration of imports

that would make it possible to identify any eventual speculative maneuvers in relation to particular commercial transactions, so as to make the market more transparent. The initiative seems a positive one inasmuch as it is capable of ensuring timely recognition of higher supply costs, though it raises a reservation regarding objectivity in identifying exact quotations for spot-market imports, especially if the quotation for crude is fixed as a counterpart for the purchase of goods and services.

Particular concerns and perplexities then gave rise to the hypothesis, discussed at the Community level, of instituting a tax on oil sources aimed at the financing of exploration and support activities in the energy field. Obviously, the concerns do not have to do so much with the end purposes of the measure as with the instrumentalities indicated for obtaining the funds. A critical position in this regard has been taken both by the Energy Bureau of UNICE (European Community Industrial Union) and by CONFINDUSTRIA's committee for study of energy problems. On the tax in question, it has been noted by industry that it would hit harder those countries that are more oil-dependent, Italy among them, creating situations of discrimination within the Community ambience; that it would be incompatible with the agreements preliminary to the Treaty of Rome, which do not provide for any import levies on raw materials within the EEC; that it would have scant effect on energy-saving, and would in the last analysis make things easier for the producer countries and lead them to make newer and bigger increases in the prices of crude.

Also on the Community level, the information and assistance action carried on by CONFINDUSTRIA for its own members regarding the initiatives taken within the EEC with regard to financial support for energy-saving, for renewable-sources demonstration projects, as well as for the 4-year research and development program in the energy field, should be kept in mind. The problems concerning energy conservation, with particular reference to the industrial sector, have been subjected to study also by the International Energy Agency of Paris, in which the actions initiated by the industrial sector, even without any relevant incentive standards, have been illustrated by CONFINDUSTRIA. On that occasion it was pointed out that while at the level of medium-size and small enterprises it is still possible to achieve energy savings in considerable quantity and without excessively heavy investments, at the big-firm level one certainly may not expect, for the near future, results of a magnitude comparable to those of the last decade, because, among other reasons, the investments to be made are expensive, the return from them is deferred, and they do not always coincide with the exigencies of running firms that operate in a market system that is open to domestic and international competition and that is characterized, both in the present and in the foreseeable future, by a high cost of borrowing. Therefore, adequate incentives are required.

11267

CSO 1104/274

AFXENDIOU PLEDGES SUPPORT FOR OFFSHORE FIRMS

Nicosia CYPRUS MAIL in English 29 May 81 p 2

[Text] The Minister of Finance of the Government of Cyprus has come out strongly in favour of the development of Cyprus as a business centre for the Middle East region. During a debate held at the Hilton Hotel on the subject of Cyprus as a business centre, Mr Afxentiou pledged that the Government will take any measures that will further the development of Cyprus as a financial centre.

He stressed that the Ministry of Finance would be happy to listen to the problems of offshore companies, and any complaints that they may have, and would do its best to eliminate constraining factors. With respect to the development of offshore banking operating from Cyprus, he announced that instructions have already been given to the Central Bank to prepare the regulations and institutional basis for the encouragement of offshore banking.

Might-Have-Been

Last week we commented on an article in the magazine NEAR EAST BUSINESS which described Cyprus as an offshore might-have-been. In contrast to the strong pledge of support given for offshore companies by the Minister of Finance, NEAR EAST BUSINESS stated that "if the government had moved more swiftly, Cyprus could have been the alternative to Beirut".

Though this statement is largely justified, it does not relate to the circumstances prevailing in Cyprus at the time. For the troubles in Beirut closely followed our own problems here, with the Turkish invasion and the displacement of a massive section of the population from their homes. Quite obviously, the government had a lot on its mind at that time and was not in a position strongly to promote the island as a business centre.

In fact the Turkish invasion acted as a catalyst, and stimulated the government to take measures in the direction of encouraging the development of Cyprus as an international business centre. This is put beautifully by barrister Chrysses Demetriades, in an excellent booklet entitled "Cyprus as a Business Centre" produced by the Cyprus Popular Bank. "It became again necessary to pass through the tragic events of 1974 in order to fully realize the importance of this type of tax incentives and which in this case are in fact granted at no loss whatsoever on our part, whilst on the other hand they provide us with substantial financial and other benefits."

Originally, tax incentives for foreign companies were introduced in 1975, with total tax exemption for companies setting up in Cyprus. This was considered necessary in order to attract foreign business to Cyprus at a time of massive unemployment. But the Cyprus authorities were afraid that the country would get the reputation of a tax haven, and proceed in 1977 to charge a tax on foreign companies of 4.25 percent, or only one tenth that of the normal company rate in Cyprus.

Offshore Companies

These tax incentives were designed to attract offshore companies to the island. Such companies are foreign firms which have a registered Cyprus office, no Cypriot shareholders, and which derive their income from abroad.

Since 1976 substantial interest has been shown by foreign companies wishing to set up offshore operations in Cyprus. Over the first years from 1976 to 1980, almost 900 companies have set up offshore operations here. The number of offshore companies that receive Central Bank approval to set up operations here were as follows:

1976	68
1977	38
1978	86
1979	48
1980	45

This shows that after a somewhat cautious start, about 250 companies a year are setting up shop in Cyprus. In fact the pattern seems to be continuing, with another 47 companies receiving approval in the first three months of 1981.

It should be noted, however, that the number of companies in itself is misleading, for many of them seem to be one man bands, or simply brass plates outside offices. But there are now a number of very well known companies operating offshore business from Cyprus. Some of the more famous names include Hilton International, NCR, Nashua International, and Pepsi Cola.

In fact the offshore companies operating from Cyprus are very varied in character, and include companies engaged in advertising, construction, investment holding operations, insurance, quantity surveyors, ship management, tourism etc.

By Cyprus standards it is clear that remarkable progress has been made, but Cyprus cannot yet be said to be a major business centre. However the experience gained over the last six years demonstrates that it is possible to attract major international companies to Cyprus.

Benefits

It is difficult to estimate the benefits which accrue to Cyprus from the offshore companies that operate here, but some indication can be provided from various figures. Mr Chrysses Demetriades in the article mentioned above estimates that in 1979 about 1.5 million pounds sterling in company tax from offshore companies

was collected, while other expenditures were put at 0.7 million pounds sterling.

A more detailed analysis of the benefits from offshore companies has been provided by Mr Michael Zampelas, the local member of accountants Coopers and Lybrand. The data provided relates to 220 offshore firms and covers a period of 42 months. Over this period these companies provided the following revenue:

	£b million
a) Formation costs	0.2
b) Administrative costs	1.5
c) Bank charges	0.4
d) Employees' taxes	3.0
e) Firms' taxes	1.3
Total £C	8.5

In addition these firms are estimated to keep 8.5 million pounds sterling on average in bank deposits here, while business visitors to these firms are calculated to have brought in another 4.5 million pounds sterling.

On the basis of these figures taxes paid by employees and firms for all the offshore companies in Cyprus should surpass 3 million pounds sterling per annum, while a further 1 million pounds (at least) is paid in operating expenses and bank charges. But of much greater significance are the expenditures of employees in Cyprus. If the 3 million pounds paid in personnel taxes is assumed to be payments priority by foreign staff of the 220 firms mentioned above, then the income of these people can be assumed to be 30 million pounds over 42 months or about 8.5 million per year. Even if a substantial portion is saved and sent out of the country, at least 5 million pounds can be expected to be spent in Cyprus.

Promotion

It therefore seems reasonable to assume that Cyprus gains more than 15 million pounds sterling per year in foreign exchange from the offshore companies here. Certainly a large proportion of this is spent on imported goods to meet the tastes of the expatriate staff, but even so the gains to Cyprus are substantial, especially since export prospects are clouded by the competitive international trade situation.

In last week's article we stressed the need for proper liaison and promotion, so that more companies can become aware of the advantages of locating themselves in Cyprus, and we stress again that the need for this cannot be overemphasised. For at a time such as the present, when the international economic and trade factors are making export promotion exceptionally difficult, the attraction of more offshore companies provides a relatively cheap and painless way of earning more foreign exchange. Now that the government has pledged its support for offshore companies it is hoped that more action on the promotion of Cyprus as a business centre will follow.

QUESTION OF NICOSIA AS INTERNATIONAL BUSINESS CENTER ANALYZED

Nicosia CYPRUS MAIL in English 22 May 81 p 2

[Text] In recent months the whole question of Cyprus as an international business centre has attracted considerable attention in the Island, and in general the impression has been given that Cyprus has succeeded in attracting international companies to set up shop here. But an inter-related series of three articles in the March issue of NEAR EAST BUSINESS describe Cyprus and Cairo as two "might-have-beens," and continues to say that the international business community has not "found a regional centre to replace Beirut."

The series of inter-related articles begins with a description of why Beirut is still an important business centre for the Middle East, despite the fighting and general insecurity, and then looks at why Cairo, the largest Arab city, failed, and where the Cyprus Government went wrong.

It is interesting to consider the advantages of Beirut, so as to be able to see the shortcomings of Cyprus, and perhaps to recommend action that could improve the attractiveness of Cyprus as a business location.

The advantages of Beirut appear to be:

- (1) The central location.
- (2) Air services and connections.
- (3) Overland transport facilities.
- (4) Relative accessibility of other countries.
- (5) Temperate climate and comfortable accommodations.
- (6) Capable and experienced pool of local staff.
- (7) Tri-lingual staff.
- (8) Location within the Arab world.

Owing to these factors, Beirut is still considered to compare favourably with such alternative locations as Bahrein, Cairo, Kuwait, Amman, Athens and Nicosia. In fact Athens and Nicosia are penalized for not being Arab, while Amman is described as remote, and Bahrein and Kuwait have air link and locational problems.

Responsive

Though one can appreciate the fact that being in an Arab capital can help you pick up the various information cross-currents and keep in touch, the articles fail to recognize the increasing use of Cyprus by Arabs.

The use of Cyprus as a business and holiday centre by Arabs is making the Island more responsive to the needs of the Arab world.

Arab information flows to and from Cyprus have greatly increased, and this is not only restricted to all-Arabic news stands. Increasingly Arab and Middle East news services are setting up in Cyprus. More recently the establishment of the Arab Press Service specializing in economic data for the Middle East, and MEMO now the major service for journalism and information in the Island, have done much to improve information flows.

The purchase of property in Cyprus by prominent Arabs, and the use of the Island as a holiday centre, are also having an impact on information flows and the business climate. In view of the fact that prominent people in the Gulf generally go abroad to escape the heat of summer, the time may come when it will be more effective to close your deal in the coolness of Troodos than in the oppressing heat of the Gulf.

Aspect

But NEAR EAST BUSINESS does bring out the problem of the virtual non-existence of Cypriots with a knowledge of Arabic. This is where Beirut really does have an advantage, but this is also the aspect of the problem most ignored in Cyprus, for it is clear that knowledge of English alone is not good enough.

Certainly, this is a matter which should be brought to the attention of the local educational authorities. Perhaps Arabic can be introduced as an optional language in some schools. In any case, the appropriate authorities should consider providing scholarships for the training of at least a few students in Arabic at foreign universities.

Another matter which should receive attention is the fact that though Cyprus has a large number of unemployed university graduates, many of these are not suitable for employment by international companies. This is because many of the students who have studied in Greece, have an inadequate knowledge of English. Perhaps there is scope for accelerated training course in English, and western business methods to overcome this problem.

Contender

Cairo is considered as having been a contender for developing into an international business centre but in 1975/76 when the Lebanese civil war was being fought, Cairo was not ready to provide the required facilities. The telex facilities were described as erratic, while international phone calls were "unobtainable."

In fact the article continues to state that "The legends linger on of sales representatives who flew to Cyprus or Athens twice a week to make their phone calls." But the situation in Cairo seems to have improved recently, owing to the massive investment programme implemented by the Government.

The main problems now seem to arise from red-tape and the crowded situation in Cairo. Though the disruption of air communications arising from the Camp David accord still seems to be causing problems.

Stakes

Though Cyprus is described as a "might-have-been" in the Middle East international business centre stakes, the article on Cyprus is entitled "Nicosia! Catching Up." This implies that Cyprus might have already been established as a business centre for the area, but even though things got going late, we might still make it.

Never-the-less the article begins in a harsh, but probably justified manner, by stating that "if the Government had moved more swiftly, Cyprus could have been the alternative to Beirut. It had so much to offer, but failing to realize the potential at the time was a costly mistake for which the country is still paying. The Cypriot government did not have the expertise to 'sell' Cyprus as a Near East Base."

In fact there does appear to be a lack of promotion of Cyprus as an offshore base. There appears to be no one department co-ordinating action even though a good incentive structure of tax concessions and double taxation agreements has been built up.

It is remarkable that the Government has not yet produced a book describing the advantages of Cyprus as a business centre. Private firms, however, have not been so slow, and three noteworthy publications have been produced by lawyer Chrysostomides, and accountants Coopers and Lybrand, and Price-Waterhouse.

Obviously, there is scope for the more effective selling of Cyprus as a business centre and, on the other hand, for improving the attractiveness of Cyprus as a location for offshore companies. It would seem advisable that the Government should place the responsibility for the coordination of these activities with one department which should then proceed to get things done. Certainly, the establishment of a liaison facility, and the production of a promotion booklet would appear to be obvious first steps.

Some form of co-ordinating committee may also help by providing a mechanism for investigating suggestions or complaints, and getting decisions on problems.

This could well be the right time for concentrated positive action, since the current problems in Beirut are likely to make some companies search for accommodation again, and Cyprus is now in a much better position to state its case.

CSO: 4920/390

STEADY GROWTH AT HELLENIC BANK REPORTED

Nicosia THE CYPRUS WEEKLY in English 15-21 May 81 p 8

[Text]

The seventh annual general meeting of shareholders of the Hellenic Bank Ltd was held at the Hilton Hotel in Nicosia on Wednesday afternoon.

The Chairman of the Board of Directors, Mr Paschalis L. Paschalides, referred in detail to developments in the Cyprus economy in 1980 and to its prospects for 1981 in the light of present conditions.

Mr Paschalides said, among other things, that the rate of growth of the Gross Domestic Product in 1980 reached 4.3% but stressed that, taking into account strong inflationary pressures and various other problems of our economy, it is essential that productivity be increased, an effective prices and incomes policy be implemented as soon as possi-

ble, and public and private consumption expenditure as well as imports be controlled.

A moderate increase in interest rates would also encourage domestic savings and contribute to slowing down the rate of inflation.

Mr Paschalides also called for an early modification of the restrictive credit measures imposed by the government in 1980 so that more emphasis is placed on flexible qualitative rather than strict quantitative controls.

The Hellenic Bank, he said, contributes with continuous and increasing effectiveness in the common effort towards solving the various economic problems of the country as successfully as possible and promoting economic progress; it is the bank's policy to be a significant and constantly growing

force in the commercial banking sector in Cyprus.

The Hellenic Bank's profit for 1980 rose to £462,647 after the deduction of depreciation and after the transfer to inner reserve and the Bank paid special contributions and income tax of £262,080.

The development of the bank's network of branches in 1980 was spectacular, and significant progress was achieved in the computerisation of operations. The Hellenic Bank will continue its steady upward trend, both as regards the volume of its operations as well as attaining satisfactory results, the chairman said.

The meeting approved the payment of a 10% dividend to shareholders.

'GALLOPING INFLATION' CHARGE REJECTED

Nicosia THE CYPRUS WEEKLY in English 15-21 May 81 p 8

[Text]

Claims by political party leaders that Cyprus is facing an economic crisis, with galloping inflation, a huge trade deficit and high unemployment, have been strongly rejected by the government.

The government's economic policies were attacked by party leaders in a series of TV programmes. The strongest criticism came from Mr Tassos Papadopoulos, Centre Union leader, and Mr Giafkos Clerides, Chairman of the Democratic Rally.

Energy

They said the economy was facing a period of stagnation, inflation had reached a two-digit figure for the first time, there was a serious trade deficit, the growth rate was down, and the threat of mass unemployment was looming close.

Both also criticised the government for failing to im-

plement a proper energy policy, and Mr Papadopoulos said that Cyprus was "living on foreign borrowing".

An official statement said the claims could create "unfavourable impressions about the Cyprus economy both at home and abroad with unforeseen consequences", so a reply was necessary. It expressed the hope that the economic issue would not face "demagogic exploitation" in future.

It conceded that Cyprus like every other country, was facing economic problems, but added that in view of the special conditions Cyprus was going through, the performance of the economy

could be described as "very satisfactory".

Rejecting the allegation about a "stagnant economy", the statement pointed out that the growth rate exceeded 4% in 1980 and was expected to be around the same this year.

It described the allegation about "a serious threat of unemployment" as groundless. Conditions of full employment have prevailed in Cyprus since 1978 and unemployment was not expected to exceed 2.5% this year, it said.

The number of jobless in such countries as the United States, Canada, Italy and Britain was "almost four times

bigger", it said, adding that the rate of inflation (13.5% last year) "compares very favourably with inflation in Organisation for Economic Cooperation and Development member-states".

COUNTRIES TO EXHIBIT AT INTERNATIONAL FAIR

Nicosia THE CYPRUS WEEKLY in English 22-28 May 81 p 8

[Text]

The Sixth Cyprus International (State) Fair officially opens today with a record 14 countries in national pavilions taking part. It will be open to the public as from tomorrow.

In addition, 24 other countries will be represented in collective pavilions by their local agents.

Australia and the Sudan are making their debut while the United States will be back after a break of four years. On the other hand, France and the Soviet Union are to stay away this year.

There is no political or any other significance in the decision of these two countries, a spokesman for the Fairs Authority explained.

The Soviet Union traditionally participates only every other year and the French have indicated that they will come back again next year with a special theme, he said.

The Cyprus State Fairs Authority held its first international showing in May 1974, less than two years after the invasion. It was a major signpost in the struggle for national unity and economic recovery.

Since then, the Fair has been expanding continuously with more and more local and overseas participation.

"We believe that this reflects the trust and prestige enjoyed by our fair both here and abroad", the chairman of the Authority, Mr Costas Constantinides, said.

The geographical position of Cyprus at the crossroads of three continents, its excellent climate, and efficient telecommunications helped towards this year's much broader participation.

In spite of existing facilities, it was impossible to satisfy all demands for exhibition space and the Authority is currently planning to build yet another large pavilion which should be ready by May next year. It will host both local and overseas firms.

Emphasis

Collaboration between the Fairs Authority, Cyprus Airways and the Cyprus Tourism Organisation

proved so successful last year that it was renewed this year for new openings into

Europe and the Middle Eastern countries. Special emphasis was laid on promoting the fair within Greece - especially since the latter's entry into the European Common Market.

The Fair will be open until Sunday June 7, from 6 to 11 pm on weekdays and 6 pm to midnight over the weekends.

Meanwhile plans are well advanced for four major specialised fairs for the 1981-82 season, including a Klimatherm exhibition next October, Hi-Fi and Vision at the end of November, Foodstuffs, Beverage and Catering equipment in the spring of 1982, and the Pancyprish Agricultural Exhibition.

Target

"The future target of the Authority is an all-year-round use of the installations we have, while at the same time attracting the maximum number of visitor-buyers from Middle Eastern countries", the Fairs Authority spokesman said.

The countries taking part in this year's Cyprus Fair are Australia (first time), Bulgaria, Czechoslovakia, Federal Republic of Germany, Greece (first time), Iraq, Kuwait, Libya, Romania, Sudan (first time), Syria, the United States and Yugoslavia. As in the past, the PLO will also have a pavilion.

AGRICULTURE MINISTER ANNOUNCES AGRICULTURAL PROJECT

Nicosia THE CYPRUS WEEKLY in English 19-21 May 81 p 8

[Text]

The Cyprus government is to launch a 33 million dollar (£13.7 m) investment project for the improvement of production and marketing of agricultural products. Minister of Agriculture Mr Nicos Pattichis has announced.

The four-year Project to start towards the end of the year will make available to farmers credit facilities for improved greenhouses, heating and irrigation systems, as well as better irrigation and cultivation equipment and techniques, pest and disease control methods and technical assistance.

Advice

On the marketing side, the Project will include grading and packing stations, cold storage, wineries and a strengthening of marketing information systems and marketing research.

It also provides for the establishment of a Horticultural Export Development and Advisory Committee to help the production and marketing of horticultural products. Mr Pattichis said.

He was speaking at the Nicosia opening of an international training programme organised by the Mediterranean Institute of Management in collaboration with the FAO Regional Agricultural Marketing Project for the Near East.

Climate

Attending the course are university graduates who hold key positions in national and private organisations involved in the marketing of fruit and vegetables, from 11 countries in the Near East and Cyprus.

The Minister said the climate in Cyprus allowed a wide variety of fruit, vegetables and flowers to be grown. The coastal areas, where the climate is mild, offered an advantage in producing out-of-season fruits and vegetables.

Mr Hussein Haje, on behalf of the FAO, said it was estimated that 25% of the fruit and vegetables produced world-wide never reach the consumer.

Technology

These losses can be substantially reduced by making better use of available technology for harvesting and post-harvest handling of crops, he said.

Mr Anthony Patten, acting resident representative of the UN Development Programme in Cyprus, and Mr Hans Constantinou, Director of the Mediterranean Institute of Management, also spoke at the opening session. The training programme was inaugurated by Minister of Labour Mr George Stavrinakis.

BRIEFS

AGRICULTURE TALKS CONTINUE--The agricultural sector and the government reached agreement Wednesday to improve the administration of the reconstruction loan to benefit farmers who are now experiencing serious economic problems. Arrangements will also be made to solve agriculture's so-called corn problem. After the meeting last Wednesday--the third in a short time--Agricultural Minister Bjorn Westh said that the parties would try to work out concrete proposals to solve these two problems, among others, at another meeting next Wednesday. Farmer Hans O. Kjeldsen, president of the Agricultural Council, was satisfied with the minister's promise to ease reconstruction loan terms so that individual farmers threatened with bankruptcy can get more help. Likewise the corn problem, which forces many farmers to sell their corn shortly after it is harvested only to buy new corn later at a higher price, needs to be solved. Moreover, Hans O. Kjeldsen emphasized the seriousness of the situation by saying that the industry now has five to six forced auctions a day. The parties did not reach agreement Wednesday on the distribution of the security fund established by the government in connection with the December Compromise, which due to internal disagreement among farmers has not yet become a reality. The 150 million kroner deposited in the fund have not yet been disbursed, but the agricultural minister said the parties are still discussing various modes of disbursement. [Text] [Copenhagen INFORMATION in Danish 7 May 81 p 5] 8952

NEW ECONOMIC ADVISER APPOINTED--Karsten Laursen, a 47-year old professor at Aarhus University, has been appointed Economic Council "Wise Man." He succeeds professor John Vibe-Pedersen, also from Aarhus University. The new "Wise Man" Received his degree in economics in 1960, became instructor at Aarhus University where he was appointed professor in 1972. From 1966 to 1968 he was economic adviser to the government of Morocco. Karsten Laursen worked for the World Bank from 1976 to 1978. [Text] [Copenhagen INFORMATION in Danish 6 May 81 p 5] 8952

CSO: 3106/120

RESEARCH MINISTER ON POLICY CONTROVERSIES, BUDGET CUTS

Hamburg DIE ZEIT in German 8 May 81 p 25

[Interview with Research Minister Andreas von Buelow, by Richard Gaul and Wolfgang Hoffmann; date and place not given: "Shortage of Funds--a Salutary Shock"]

[Text] [Question] Mr Minister, shortly after you took office you stated that the present shortage of funds offers the opportunity optimally to utilize the funds available. Is that an admission that in the past the monies were not used optimally?

[Answer] I do not think that a great deal went wrong. However, in view of the fact that after a period of considerable expansion of financial planning we have lost a total of 2 billion, we must critically review everything. It is necessary now to trim the allocations in a reasonable way. This job will keep us occupied all of this and the coming year.

[Question] On principle, do you not have to ask yourself whether any state research policy is superfluous, whether your ministry is superfluous?

[Answer] I do not see it that way. To be sure, in regard to organizational problems, there usually are several solutions. And I am aware of the fact that there are critical areas where the Economics Ministry and the Research Ministry overlap. The two ministries should pool their expertise to a greater extent. Our present conception--i.e. to integrate the government's research activities and to concentrate in a single ministry the utilization and development of the scientific knowledge present in the various departments--has its good points.

[Question] The industrial sector complains that the coordination between your ministry and other, consumer-oriented ministries--e.g. the post and transport ministries--is not working properly. The projects developed by your ministry--in regard to communications and cable technology, for example--do not reach the other sectors. Is this criticism justified?

[Answer] This problem is being discussed intensively. The shortage of funds gives fresh impulses in this regard, but it also creates obstacles, e.g. in the transportation sector.

[Question] Too late.

[Answer] No, but there may be certain delays, since the desire of a research ministry to develop and utilize something new must be coordinated with the tasks of another sector--e.g. the postal service--that wants to hold on to tested and economical technologies. Under such circumstances, certain parties will say the changeover should have come sooner, while others feel there is still time. Undoubtedly, coordination must be improved.

[Question] The industrial sector, part of which receives a great deal of money from your ministry, says--privately, of course--that this is pointless and that a government brain trust establishing guidelines and a basic framework--e.g. in the fields of training and information transmission--and granting tax relief for investments in developmental projects would be much more effective. The industrialists claim that instead of pursuing this type of policy your ministry dissipates its energies on countless individual projects. Is this possibly the key mistake?

[Answer] Divergent interests. Some want to produce as much copper cable as possible; others want to maximize their sales of television sets; yet others want to speed up production of the new glass fiber cables so as to be able to establish new communication systems. So one must closely examine who wants what. For the discussion of cable technology is not concerned with technical problems, but with media policy. From the point of view of innovation policy, it would be foolish to invest in simple distributor networks and outdated copper technology that merely serve to distribute more television programs. But there is no doubt that we must introduce as quickly as is technically and economically possible the new communication technologies in the economic sector, wherever they can be utilized. Consider the display terminal in the service sector, for example. The postal service is investing in this field and thanks to the glass fiber test projects conducted by the postal service and the research ministry we will soon be able to employ the visual communication technology in a new integrated wide-band network, i.e. a technically revolutionized infrastructure. There is no investment stoppage.

[Question] But we are speaking not only of cable communication systems. How is it that engineers are in short supply? Is not this in part the fault of the ministry that is in charge of research and development?

[Answer] Well, you know, as recently as 2 years ago the industrial sector complained it was being crowded by too many engineers. All of a sudden, industry has realized that there may be a shortage. But it has only itself to blame for this. However, I do not want to hush up the fact that as a result of the reform of the upper high school grades (which falls under the jurisdiction of the states) the students frequently decide against taking science courses; consequently, they later have difficulty in changing over to technical subjects. In this respect, we must all be on the alert.

[Question] But consider the field of computer technology. This field has received large-scale support from your ministry. And now we see you are lacking the experts needed for bringing this technology to the frontline, to the enterprises.

[Answer] We are aware of this. Much remains to be done here. But the initiative cannot always be generated by us. This must be organized by the participants themselves.

[Question] But your ministry proceeds from the assumption that is plans for the future. So is it not you who must take the blame?

[Answer] A minister or a government cannot singlehandedly introduce microelectronics as quickly as has been the case in Japan.

[Question] Why not?

[Answer] Because we do not have a planned economy.

[Question] The Japanese do not have a planned economy either.

[Answer] But over there you find a different type of cooperation between the state and industry. Apparently, there are no ideological blinders and, most importantly, in regard to key technologies the big firms in Japan favor long-range planning.

[Question] As has been the case in Germany, the firms have also been given support, but it is support through ideas rather than financial assistance.

[Answer] No, but what seems to have been combined there is forward planning by the government and long-range market research by industry. The Japanese have been seeking to find ways of combining new technologies with products that offer good marketing possibilities. Thus the European industry has been pushed back. As a rule, the wisdom of those who sell at the frontline should exceed the wisdom of those who sit in some central office and consider this problem theoretically. But one must also observe where the innovation thrusts originate. In the United States, they originate for the most part in military research, in massive direct support. This does not exist in Europe, not on this gigantic scale.

[Question] In Japan, it does not exist, either.

[Answer] Japan is the first country--and this we in the Federal Republic must come to terms with, irrespective of all ideologies and lofty free-market ideas--that has a strategy for engaging industry and the banks in a continuous dialog with the state with the object of exploring possibilities of support. For reasons of organizational policy, we have rejected such a strategy; it is not in accordance with our system. Now there comes Japan with a deliberate strategy unconcerned about those dogmas that the Germans--no matter in what ministry--still hold.

[Question] You are referring to the Ministry of Economics?

[Answer] Yes. And now we have had some talks and we have stopped rubbing in on each other the 10 commandments of a free-market economy.

[Question] Nevertheless, we failed to establish a more favorable basic framework. Now as before, dentists and other successful professionals invest their billions in various dubious tax shelters rather than in new technologies. Is it not one of the responsibilities of state research policy to channel these misdirected billions into promising advanced technologies?

[Answer] Naturally, it is one of the tasks of the Research Ministry to point out

such an abuse of tax relief and to suggest positive solutions. Whether this could be approached--in the field of district heating, for example--via depreciation, whether we should establish a fund via the capital market and then absorb the initial losses of 4 or 5 years through interest reduction so as to overcome the start-up difficulties--these questions are being intensively discussed.

[Question] You have curtailed the funds allocated to research on new automobile technologies, e.g. the university automobile. Was not this support futile from the outset?

[Answer] No.

[Question] But the representatives of the automobile industry are secretly saying something else.

[Answer] That is not true. The negotiations with the automobile industry took a different course. The treasurers were not prepared to make long-term investments for the future. After all, the problem is that the intra-plant decision-making process always leans toward short-term realization of profit. Our task is to develop projects that show promise for the long term. Let us look at what actually happened. I have examined the records: Even the VW management complained they would have to hire an additional 20 to 30 engineers so as to be able to tackle a promising advanced project; they stated they were not willing to do this, since they were afraid they would have to continue the project, once we discontinued our support. At present, they seem to be taking a positive view.

[Question] It may be reasonable to support a "university automobile," but is it really necessary to lend financial assistance to industry?

[Answer] In regard to the university automobile, we are trying to engage the university students, assistants and professors in a dialog with the automobile industry so as to link theory and practice. After all, this is what counts in this project.

[Question] You have run into financial difficulties in the field of energy research. The American-German coal liquefaction project is dead. Does this not entail negative consequences for Germany's coal industry? A flop of your ministry?

[Answer] No. Originally, the German-American Morgantown coal project was supposed to cost less than \$1 billion. When Mr Hauff signed the agreement, it was to cost \$1.6 billion. Now we have arrived at over 2 billion and the cost is still rising. We had to ask ourselves whether we had enough money to continue running the German pilot installations. Upon consideration of what was more important, we decided to drop the Morgantown project. The German coal industry will benefit from this.

[Question] The two planned reactor lines are likewise devouring billions. We have been told they are on the verge of being discontinued. Two more flops?

[Answer] As far as the two reactor lines are concerned, both are adversely affected by the licensing procedure. At one time, we thought we could exempt these reactors from the regular licensing procedure; after all, they are merely demonstration projects rather than commercial installations. But we decided differently. Thus there

occurred delays that made everything more costly. There have also been technical improvements and to maintain the highest possible technological level is increasingly expensive. But we still feel that both lines should be developed further. As regards the fast breeder reactor, we should continue if only because of the fact that it is an integral part of the overall system of utilization of nuclear energy and if we think that in the long term we cannot do without nuclear energy. It is true, however, that the financial problems have not been solved.

[Question] You still hold that industry must make a greater contribution?

[Answer] Yes, of course.

[Question] On the fast breeder reactor, you have come to an agreement?

[Answer] No, we have not reached any agreement. We have merely obtained some meager provisional results.

[Question] But you still want industry to make an additional contribution of DM 300 million per year?

[Answer] That is our position.

[Question] Let us go back to industrial policy. The electronics concern you gave large-scale support, i.e. Siemens, has been accused of overpricing its electronic control installations. This affects the machine building industry.

[Answer] I have heard of this. At this point, I cannot say whether it is true. However, my goal is to include the ultimate consumer of such products in the overall strategy talks, in the discussion on how we must proceed, on what takes precedence and on how we can ensure the functioning of the technology transfer--down to the medium-size family-owned industrial enterprises. I have in mind an innovation strategy that will prevent situations where a technology project supported by us in an enterprise is handed over to the competitor too late or not at all or gets too late to the user. I want to see the Research Ministry, the Economics Ministry, the postal service and the communications industry engage in a discussion on what strategies must be pursued to meet certain challenges. The Japanese are in an advantageous position in that they are developing microprocessors and at the same time have at their disposal a broad range of products for which they can utilize this technology on a large scale.

[Question] Could not the Federal Postal Service, the Armed Forces and the public transportation sector likewise utilize new technologies to a greater extent?

[Answer] Some observers claim that in comparison with our postal service and our leading electroconcerns, the Japanese postal service has been more innovation-oriented and more willing to accept, test and introduce innovations. But the situation has changed now.

[Question] Too late.

[Answer] I hope not.

[Question] Can the challenge we are confronted with in the field of electronics be met by a concerted effort on the part of Bonn or do we have to go even further in regard to giving up an ideological fixation, as you called it?

[Answer] I would rather call it a new attitude, a greater openness to innovation on all levels. In this regard, the state can help and make decisions only in certain limited areas. I cannot control the application of microelectronics down to the last machine building enterprise. It is the enterprises that must show themselves to be willing to accept new ideas. And in the enterprises, there is strong resistance against any adjustment to totally new ideas--and this goes for both management and low-level employees. Our primary task is to accelerate the transfer of technology and to solve the resultant social problems. Through the establishment of the Fraunhofer Society, we have enabled small and medium-size enterprises to obtain information. We are considering participation in design centers, which is not necessarily very costly. The enterprises must contribute to the problem-solving process, but they will be able to do so only if they realize: Here we are confronted with something that we must not evade.

[Question] This means that when Siemens begins to research a chip, the machine builder in Balingen, your home town, should be told that in 5 years Siemens will be marketing such a thing.

[Answer] That would be the ideal situation. Shortly after one has begun to ponder something new, one must give the first signals to the parties on the outside so that they can begin to consider the implications, so that this process gets under way. This is how things should be organized everywhere.

8760

CSO: 3103

FOREIGN MILITARY SALES TOTALED 35 BILLION FRANCS IN 1980

Paris LE MONDE in French 23 May 81 p 32

[Article: "France Took 35 Billion Francs in Foreign Orders for Military Equipment in 1980"]

[Text] In 1980, France received 35 billion francs in export orders for military equipment. This figure was revealed by Jean Martre, the delegate general for armament, in answer to questions from the Association of Aerospace Journalists (AJPAE) with whom he met in Paris on 20 May.

In 1979, export orders for arms had totaled 25.2 billion francs. Thus the 1980 figure represents an increase of some 40 percent over the 1979 total. This 1980 spurt was apparently due to the naval weapons contracts signed with Saudi Arabia and Qatar during the last few months of 1980. The orders for naval materiel received from these two countries amounted to 16 billion francs which is nearly one-half the value of all foreign military sales contracts signed last year.

According to Martre, the total volume of business done by French arms industries--i.e. estimated domestic and export deliveries--was 60 billion francs in 1980. Export deliveries rose to 25 billion francs compared with 20.5 billion francs in 1979.

The aerospace industry's own 1980 volume of business was 34 billion francs, 60 percent of which was in export sales. Some 73 percent of this business activity was military, with 27 percent being civilian. Military exports accounted for 43 percent of this total volume of business. Martre said that, in his opinion, this large proportion of export-oriented activity tended to make the French aerospace industry's world position unstable.

8041

CSO: 3100/759

'LE MONDE' WARNS AGAINST OVERRELIANCE ON SAUDI OIL

LD291453 Paris LE MONDE in French 28 May 81 p 1

[Editorial: "Riyadh's Oil Power"]

[Text] Every OPEC conference in the past 3 years has ended with a price increase. The industrial countries and, more especially, the developing nations, still reeling under the blow of the threefold increase in the price of crude oil between 1979 and 1980, will therefore remember the Geneva meeting mainly for its price-freeze--a respite won for their economies thanks to Saudi Arabia.

Nonetheless, the instability created in OPEC by the last oil crisis and accentuated by Saudi policy over the past few months is not without danger. Before 1979, faced with a moderate Wahabite kingdom, Iran, a U.S. ally but one which consumed large quantities of dollars, acted as a counterbalance with a production four times higher than it is today. The Algerians had the full weight of the moral and intellectual authority conferred on them by their leading role in oil nationalism.

Today Riyadh is alone, surrounded by countries whose production is not one-fifth of its production, while outside OPEC there are many producing countries, including Third World countries, which are not anxious to join the ranks of what was to be the developing countries' spearhead against the industrialized nations' egoism. To attain this rank from which it hopes to draw some profit--both AWACS airplanes and recognition of international status--Saudi Arabia has been forced to swim against the general tide in OPEC, to act against its neighbors and natural allies in the Gulf, and to arouse internal discontent, even within a section of its ruling class.

The maintenance of an excessive level of production--2 million barrels per day more than the ceiling Riyadh had fixed--combined with a price markedly lower than the organization's average price, have meant that most oil-producing countries have lost clients and hence income. The reduction in the price of Saudi liquefied petroleum gas has primarily affected Kuwait.

The Iranian shah's overthrow demonstrated the fragility of apparently strong regimes as soon as they became hated inside their countries and by close neighbors. So the industrial countries are showing some irresponsibility in depending on the Saudis for 30 percent of their oil supplies--for 52 percent in France's case, according to customs statistics for the first 3 months of the year.

Despite efforts on energy savings and use of alternative sources which are beginning to bear fruit, the northern countries will continue to depend on imported oil for a long time.

Therefore realism dictates--in the interest of Riyadh itself--that less reliance be placed on Saudi Arabia and real negotiations be opened with all the oil-producing countries. OPEC's long-term strategy, which was requested by the consumer countries when the market was "soaring" and which offers security of supply in exchange for regular increases in the real price, has been set aside for a few months because prices are in fact tending to fall. Nonetheless, it is in a period of reduced tension like this that agreement will be possible.

The new French Government, backed by the Third World's confidence, would therefore stand to gain from heading a move in favor of reviving North-South dialogue.

CSO: 3100/769

ELECTRONIC SECTOR INVESTMENT PROJECTS FOR THE SOUTH

Digital-Controlled Machine Tools

Naples IL MATTINO in Italian 14 May 81 p 23

[Article by Franco Genzale]

[Text] Avellino--Its name is "Mandelli 2 S.p.A.," the firm was duly constituted day before yesterday, its technical partner is Mandelli S.p.A. of Piacenza, and the plant will be installed in the Pianodardine industrial zone of Avellino.

It is the first of the projects to be implemented under the interventional program for the zones hit by the earthquake, the program that was drawn up by INSUD [New Initiatives for the South] the state-capitalized funding institute connected with the Fund for Southern Italy.

Installation work on the new Pianodardine plant will begin in mid-June and will be completed by the end of this year. Initially (its inauguration is scheduled for February 1982), it will take on 64 employees.

The factory, which involves an investment at 5 and 1/2 billion in technical fixed plant, will produce digital-controlled machine tools (so-called "work centers"), that is, electronic equipment capable of executing a series of extreme-precision mechanical operations. Marketing forecasts, and hence the outlook for increased employment by the new plant within a relatively short time, are highly optimistic.

This product line (in which Mandelli S.p.A. is a world leader) finds application in the automotive manufacturing, aeronautics and nuclear industries; more than 50 percent of current production is being exported to the more advanced European countries in high technology.

The Pianodardine plant project was officially announced by the president of INSUD, Prof Gianni Zandano, during a business meeting held in Avellino with Irpinia businessmen and industrialists. Also shown during the meeting were the general lines of the INSUD program for new industrial interventions in earthquake-damaged zones--a program that has already been approved by the Institute's board of directors to include 12 feasibility studies regarding productional installations in the provinces of Naples, Avellino, Salerno and Potenza.

Professor Zandano stated, in this regard, that 10 of the 12 projects being studied were actually initiated by businessmen of the South and that two of them in particular represent "a valid example of cooperation with the sector of the cooperatives." All the feasibility studies that have been approved are, in each case, capable of actualization within very short times.

But the purpose of meeting with the Irpinia businessmen was not only to announce the program that has already been approved (besides the Pianodardine plant for the province of Avellino, three other investment projects are in the definition stage in the chemicals, ceramics and plastics sectors).

"We want to verify the concrete possibilities," said Professor Zandano, "of including in the program other initiatives that can be promoted by the local business forces."

And implementable proposals were not lacking. Emphasis was given in particular to the need to intervene in favor of the tanning enterprises of Solofra, which after suffering the slump in the hides market was also dealt an extremely heavy blow by the earthquake (hundreds of millions in damages). To this effect, INSUD stated its full availability to study possible interventions of the consortium type, and above all, those involving the small businessmen of the zone.

Another large-scale proposal, for which the Industrial Union of Avellino committed itself to the working up of an implementable plan, was based on the indication that interventions in the forestry sector are possible. INSUD stated it is especially available as regards this problem, not only for forestry interventions of the industrial production type but, above all, for the development of those lower level activities that use wood and forestry by-products.

Research, Production, Marketing Consortium

Naples IL MATTINO in Italian 14 May 81 p 23

[Article by Andrea d'Errico]

[Text] Caserta--INDESIT [expansion unknown] has formed a new company, the "INDESIT Elettronica Sud" (president: Mario Nobili; general manager: Romano Manassero) for the purpose of managing industrial plants in the South organized to carry on scientific research and development of the technological evolution of electronics products, including the design, production and marketing of finished and semifinished consumer and professional type electronics products.

At the same time, INDESIT Elettronica Sud has proposed an amalgamation with Emerson and Voxon, aimed at unifying and strengthening a substantial wealth of technical and industrial experience that can facilitate an untroubled recovery by the three firms--which have been at a standstill in the electronics sector for the past 6 months--and a reduction in the percentage of imports.

The plan to amalgamate the three enterprises was revealed yesterday morning to the unions of the FLM [Federation of Metalworkers] on the premises of the Union

of Rome Industrialists by Dr Romano Manassero. A registered capitalization of 40 billion lire is planned for the consortium, of which 10 billion would be contributed by the three amalgamated firms, 6 billion by the Japanese Sanyo company, and 4 billion by the GEPI [Industrial Participations and Management Company]. The other sources of funding to which the consortium intends to resort are: under Law 675: 5 billion for restructuring and reconversion; 8 billion for technological innovation; and 3 billion for applied research.

This consortium would be headquartered in Rome, with two laboratories for advanced research and design planned in Teverola and Rome. Talks are already under way for the Teverola research center to comprise a consortium with Campania Region and the University of Naples. The plan provides for a second phase--when the period of INDESIT- and Voxon-controlled administration ends--during which a holding company would be formed to buy the controlling interest in the research and design company as well as the production companies.

Dr Manassero stated that the proposed plan enables the recovery, at a relatively moderate cost, of the activities of three electronics industries whose technical competence and productivity are beyond question. The cost of the recovery would be equal to or less than the out-of-pocket taxpayers' cost calculated for the period of the Wage Supplement Fund currently being paid by the INPS [National Social Security Institute]. It would enable recovery of employment in especially important zones, like Caserta and Rome, and of industrial activities that produce substantial economic and technological returns.

The financing being sought is not to cover losses, but to create an industrial hub with an aggregative capability for inducing other activities. Lastly, realization of the plan would enable, once its purposes have been achieved, the improvement of the sector's balance of payments by at least 80 [as published] billion.

Dr Manassero emphasized that the plan would restore employment levels, above all in the South, with particular reference to the nearly 1,000 [as published] Teverola workers in the electronics sector who are still on the rolls of the INPS. And in fact, the project must be viewed in terms of its Southward orientation (and certainly not as one of an aid nature), especially since other plans--the ANIE [National Association of Electrical and Electronic Industries] one, for example--tend every initiative for this sector in the North. INDESIT is trying to create a major aggregative hub in the South, moving even the management centers of its research and design activities to the South, which is a longstanding aspiration of the South's political and labor unions forces.

Meanwhile, Councilman Ievoli has asked the president of the Regional Council to call as soon as possible a meeting of the managements of the three industrial groups, the interested Regions and the government to speed up the formation of the consortium proposed by INDESIT.

9238

CSO: 3104/278

MICHAILIDIS PROPOSES 'IMMEDIATE ACTION PROGRAM'

Nicosia CYPRUS MAIL in English 21 May 81 p 1

[Text] House President Mr Alecos Michaelides, leader of the New Democratic Party, has proposed the setting up of a Political Planning Bureau which would be able to lay down a planned strategy and tactics in the pursuit of a Cyprus settlement.

Mr Michaelides, who was speaking at a press conference, said that the Planning Bureau which deals with economic problems has been able to provide excellent services in the economic field and there should be no reason why a Political Planning Bureau should not prove equally useful.

The Cyprus problem is bedevilled by the lack of planning and inactivity which allows others to take initiatives which very often prove to be at our expense, he said.

Details

Mr Michaelides gave more details of his nine-point "Immediate Action Programme" about which he spoke at the public gathering at Eleftheria Square in Nicosia, on Monday last. These are:

- a) the UN Secretary-General to be asked to undertake his responsibilities and invite the Turks to comply with the terms of his inaugural statement at the intercommunal talks, according to which they would be meaningful and that concrete proposals would be presented.
- b) after the elections the President should arrange for a joint meeting with the Cypriot party leaders, the Greek government and Greek party leaders of an agreed national policy on Cyprus.
- c) Cyprus should press for the occupation of the seats allocated to it in the assembly of the Council of Europe, and the banning of Turkey from the assembly now provides a unique opportunity.
- d) further mobilization of the American Congress and especially to remind Congressmen of the conditions for the lifting of the terms embargo, that is for Turkey to show that it acts in goodwill for a fair and peaceful settlement of the Cyprus problem.

e) a call for a parliamentary congress to which all European parliaments should be invited.

f) mobilisation of Greek Americans.

g) invitation to the non-aligned contact group to visit Cyprus to verify the negative attitude of the Turkish side in the talks, etc.

h) invitation to the British government to undertake its responsibility as a guarantor power.

i) invitation to the Ministerial Committee of the Commonwealth, decided on in 1979, to consider the Cyprus situation and see what it could do.

Supplemented

Mr Michaelides said he intended to present the plan when the new House emerged, and explained that the plan is not exhaustive and could be supplemented or amended if the other parties had their own ideas.

What is needed, he said, is to stop being inactive and waiting for others to move.

Months have passed since the talks started and there has been no result and since the basic issue, territory has not been discussed, it amounts to saying that the talks have not yet started, he said.

Mr Michaelides did not agree that because there might be a Turkish reaction no action should be taken. We must expect that the Turks would react to any action we take, he said and found unjustified the non-discussion of the Cyprus case in the UN General Assembly last year on the grounds of not wanting to impair the climate of the talks.

CSO: 4920/393

POLL SHOWS KOIVISTO FAR AHEAD AS PRESIDENT CHOICE

Helsinki HELSINGIN SANOMAT in Finnish 17 May 61 p 9

[Article: "Conservative Party Drawing Away from Mauno Koivisto"]

[Text] Prime Minister Mauno Koivisto's support has declined perceptibly among Conservative Party supporters, states Finnish Gallup in its most recent opinion poll, in which Koivisto's support has fallen off from 50 percent to 49 percent.

In the opinion poll conducted by the Helsinki newspaper UUSI SUOMI former Assistant Secretary Helvi Sipila of the UN received the greatest increase in support, which is now 8 percent of those responding to the poll.

In the poll it was assumed that Doctor Urho Kekkonen will no longer be available as a presidential candidate.

According to the poll Koivisto's position as the leading candidate continues to be undisputed. Of those responding to the poll 49 percent support Koivisto. Sipila, who was presented as a possible candidate, jumped to second place for the first time.

The remaining individuals offered as candidates by the poll received support as follows: the Center Party's Paavo Vayrynen (6 percent), the Center Party's Ahti Karjalainen (5), the Conservative Party's Raimo Ilaskivi (5), the Conservative Party's Harri Holkeri (3), the SDP's Kalevi Sorsa (3), the Center Party's Johannes Virolainen (1), the church's Mikko Juva (1), and the Swedish Peoples Party's Jan-Magnus Jansson (0). Also the Finnish Communist Party's Aarne Saarinen did not receive any support.

Koivisto's support in SDP circles continues to become stronger according to the poll. Koivisto was supported by 78 percent of the Social Democrats. The present Prime Minister's popularity is also growing among the Communists. According to the poll supporters of the SKDL [Finnish Peoples Democratic League] support Koivisto by 43 percent while the figure was 38 percent a full year ago.

On the other hand, Koivisto's support is falling off in the Conservative Party. A year ago Koivisto's support was 49 percent in the Conservative Party, now it is 41 percent.

In the Center Party Koivisto's support remains slightly under 30 percent. The figure obtained now was 28. At the same time in the Center Party Paavo Vayrynen moved ahead of Karjalainen (13 percent) and Virolainen (10 percent) to 17 percent support.

For the purposes of the poll Finnish Gallup interviewed a total of 961 individuals over 18 years of age. The poll was conducted during the period between 13 April and 10 May just as the Koivisto Government survived a crisis of confidence.

10576

CSO: 3107/92

SDP BOLSTERED BY POLLS: PARTY, KOIVISTO VOTERS' FAVORITES

Helsinki HELSINGIN SANOMAT in Finnish 17 May 81 p 25

[Article by Janne Virkkunen: "Koivisto Behind Increased Support for Social Democratic Party"]

[Text] Support for the Social Democrats has increased in proportion to the prime minister's approval rating. The presidential question will come up at the party congress in June.

The Social Democrats will assemble on 3 June in Pori at their 32nd Party Congress to approve a package of new programs and to elect Kalevi Sorsa, 50, for his third term as party chairman.

The Social Democrats should have every reason to be satisfied: the SDP [Social Democratic Party] obtained its first election victory in local elections since 1972 and the most recent opinion polls indicate that the party's support continues to grow and is now around 27 percent.

The well-liked Prime Minister Mauno Koivisto's shadow will fall over the SDP congress; he is looked at as the future presidential candidate of the SDP, but not yet at Pori.

Credit for the increase in support for Social Democrats goes to Koivisto, with whose help the SDP won the local elections and intends to win in the next parliamentary elections before the presidential campaign concludes in the beginning of 1984.

The Social Democrats cannot avoid the presidential question at their party congress even if they would like to. The rank and file of the party will have to take a stand on the proposal that the congress make a decision to nominate its own presidential candidate and at the same time decided on the individual.

The SDP's governing committee has rejected the proposal, but it is possible that approval will now be given to the position that the SDP nominate its own candidate for the presidential elections.

The nomination of Koivisto as an official candidate and as a "target" for opponents will not, on the other hand, be brought up. Indeed, he himself has requested that

a candidate's name not yet be nailed down.

According to the regulations of the SDP the naming of a presidential candidate belongs to the party council.

Sorsa and Koivisto

Chairman Kalevi Sorsa along with his staff has been annoyed by the fact that in public Sorsa and Koivisto are being placed in opposition as competitors. Suspicions have been expressed to the effect that Sorsa will knock down Koivisto in a bid to become the presidential candidate himself.

However, this kind of speculation seems to be a waste of time since it is doubtful that any party could afford to turn down such a popular figure as Koivisto in the electoral elections.

To the satisfaction of the party rank and file Koivisto turned out to be more independent than anyone could have expected with respect to President Urho Kekkonen in the government crisis of this spring.

The differences between Koivisto and Sorsa are mostly explained by the fact that one looks at events in the world from the party office on Saariniemi Street and the other from the State Council building.

Government Base Subject of Discussion

Koivisto's popularity is not a problem for the party, but the policies of Koivisto's center and leftwing government are.

Activist Social Democrats are sulking because issues which are considered to be important by the Social Democrats are not being promoted in a government in which the bourgeois center has a majority, which it also knows how and dares to use.

Kalevi Sorsa has frequently suspected that the current government base has exhausted its spiritual and intellectual resources. Even if this is so, Koivisto does not intend to be that Social Democrat who brings an end to cooperation.

The Prime Minister does not want to be labelled as the man who presided over the demise of a "progressive and democratic" government cooperation that lasted 15 years.

At the same time that the rank and file of the SDP contemplated the future of the current government base, it has also had to think about its relationship with the country's second largest party, the Conservative Party.

The Social Democrats continue to emphasize the importance of a center and leftwing government base and are not -- at least yet -- ready to revise their negative stand on government cooperation with the Conservative Party; so far the SDP has answered that nothing will come of cooperation since the views of the two parties regarding fundamental questions are contradictory.

However, social democratic circles have taken note of the behavior of the

Conservative Party's Diet faction in gravel law conflict in the Diet. A seven-member group of MP's dissociated themselves from the Conservative Party to support the leftwing in the inclusion of peat in the gravel law.

However, this seven-member group of MP's is only a small minority in the Conservative Party's 46-member Diet faction, which according to the Social Democrats has clearly followed a rightwing line.

A government discussion is made difficult for the SDP by the fact that the party is becoming dissatisfied with its long-time partner in cooperation, the Center Party, which will once again be able to hear its praises at the SDP congress.

It has been thus before, but social democratic threats have not resulted in practical consequences and this is a result of the fact that the keys to the government game are held by the Center Party as long as the Conservative Party remains on the sidelines.

The next parliamentary elections may also change the make-up of the government. If total support for the leftwing continues to fall off, both leftwing parties may go into opposition and allow the Diet's bourgeois majority to govern the country.

A Vote on Nuclear Power

In addition to government policy and the presidential question, the congress will be dealing with a long list of program issues. It will be faced with, among other things, a vote on nuclear power.

In the SDP there is a vocal minority which opposes nuclear power. The energy program prepared for the party congress considers nuclear power to be a transitory answer to the world's energy needs. According to the program the SDP does not want to tie the country to a continually increasing use of nuclear energy. However, no stand will be taken on a possible new nuclear power plant.

The social democratic attitude toward equipping the army will come to the forefront when the party congress approves a new defense policy program. There is a considerable number of forces in the SDP who are critical of the Parliamentary Defense Committee's program for equipping the armed forces.

The SDP Congress will also make a decision on the commencement of work on a new program of principles for the party. The present programs of principles has been in effect since 1952.

One issue that has been disputed in advance is the Finnish model of the wage earner fund, cooperative funds. The SDP would like to include these enterprise-oriented funds in larger enterprises and the funds would make workers the partial owners of enterprises.

In addition to the cooperative funds, a reform of corporate taxes has been under preparation for a long time in the SDP. According to the solution outlined by the Social Democrats power resources would be taxed instead of profits in the corporate tax system. The yield from taxes would, however, remain as before.

Old Leadership, A New Secretary

The selection of the party's chairmanship will be just a formality for those attending the congress since no challenger to the current leadership has appeared.

Kalevi Sorsa will continue as chairman for yet another term with vice chairmen Veikko Helle, 69, and Pirkko Tyolajarvi, 42.

On the other hand, the question concerning a new party secretary, a successor to Olf Sundqvist, is more difficult. The position is being sought by MP Erkki Liikanen and First Secretary Marianne Laxen of the party's Women's League. Of these two, Liikanen is closer to a victory.

The most unpredictable election, however, will be the SDP's new party committee for which there is a large crowd of candidates.

The women's battle against the men in the SDP will probably result in the fact that in addition to Tyolajarvi other women will also be elected to the party committee.

10576

CSO: 3107/92

CONSERVATIVE LEADERS WOOING CENTER, SDP

Helsinki HUFVUDSTADSBLADET in Swedish 15 Mar 81 p 2

[Editorial by Henrik von Bonsdorff: "Ilkka Suominen's Court with a Spade"]

[Text] During the first few months of the year, the Conservative Party issued invitations to cooperate to both the Center Party and the Social Democrats. Party Chairman Ilkka Suominen represented the former and Group Chairman Pentti Sillantaus represented the latter. Which one should be taken seriously? There is even more reason to ask that question since the environmental law on gravel removal revealed an obvious conflict between Suominen and his party's parliamentary group, Henrik von Bonsdorff writes.

A few months ago, in the middle of January, the chairman of the Conservative Party, Ilkka Suominen, put out an invitation which was intended to open the door for some sort of cooperation with the Center Party. Just what shape he thought such cooperation would assume was not clear from the invitation. Realistically enough, Suominen took care not to talk specifically about the government's plan, although it probably can be assumed that he would not turn it down if the chance of experiencing such an adventure were offered. Instead, he pointed out that the two parties ought to be able to work together even across the existing dividing line between the government and the opposition. However, the Center Party's reply was a polite but unequivocal rejection.

During the past weekend, then, Pentti Sillantaus, the chairman of the Kokoomus parliamentary group, stood up and cast inviting glances in an entirely different direction than that of the Center Party. First he criticized the Koivisto government for being totally broken-winged. What remains is a sort of parliamentary official's government which manages to get along from one decision to the next and leaves what does not get done to the parliament. Consequently, the situation is precarious, Sillantaus thought. For his part, he indicated that the logical solution, at least over a comparatively long period of time, would be for the largest non-Socialist and the largest leftist parties--that is, the Kokoomus and the SDP--to get together and look after the country's affairs.

However, the reception accorded his invitation by the Social Democrats gave no promise that there would be any developments in the direction Sillantaus was hoping for. "The chairman of the Conservative Party's group is making a lot of fuss about

nothing, and he is caught up in wishful thinking," the SDP's deputy chairman, Velkko Helle, commented. And the spokesman for the party's office and junior party secretary added that the Conservative Party once again is engaged in turning so sharply to the right that the thought of its cooperating with the SDP is entirely unrealistic. In a speech before the party's parliamentary group in the fall, Ilkka Suominen stated that the Kokoomus is a "party which is willing to cooperate," whose position is in the conservative camp but which nevertheless remains close to the central political line. That designation of the party's position, of course, opens up possibilities for giving hand signals for turns in various directions, and the two most recent moves give very concrete illustrations, in their respective ways, of such an assertion. On the other hand, there is the danger that the Kokoomus will stand like a donkey between two wisps of hay and nibble--in vain--at first one and then the other.

Is it precisely something like that which the Conservative Party is in danger of doing at present?

When Ilkka Suominen portrayed the government's predicament a few days ago at a meeting of his party's representatives, he started to speak as one does when employing delicate nuances, but essentially he scarcely deviated from the declaration of bankruptcy represented by Sillantausta. The Koivisto cabinet, whose perplexity one could follow during prosperity with an indulgent smile, is no longer enticing any smiles from anybody at present, he asserted. Its effort to survive has become an end in itself. Therefore the prime minister permits any initiatives at all by his partners and hopes that at least the Kokoomus--as in the Index Law case--will play the part of the rescuing angel. Particularly the communists' irresponsible maneuvers during the income-policy rounds arouse Suominen's ire, and especially because they also infected the trade unions. Thus, the chairman of the Conservative Party is prepared to agree with his SDP colleague Sorsa that "we have a government in this country but no government policy." His conclusion is that the time is ripe for a reappraisal of the government's line--and of the basis for the government.

Of course, that is quite a natural conclusion for an opposition leader to come to. What is difficult is the fact that the condition under which it would not remain merely an empty phrase would be the possibility of the present ministers being ousted from their positions.

When looked at from the outside, it has also seemed for quite a long time that the government parties themselves were doing their best to drive Koivisto's Number Two to collapse.

The vain attempts to get together on a common policy where a number of questions on which there is acute disagreement in the parliament is concerned is the most recent example of the mutual cantankerousness of the coalition parties.

However, the government is still there, and the area of conflict is not essentially of such a nature as would normally entail a danger of dissolution and crisis. Aarne Saarinen made it clear at the beginning of the week that the FKP [Finnish Communist Party] had no plans for deliberately breaking up the cooperation of the

coalition parties--or at least not before its party congress. The Center Party also asserts its loyalty to the government at regular intervals. Where the SFP [Swedish People's Party] is concerned, they state that if the government is brought down now it will not be the result of any concrete, positive argument. It is only the Social Democrats who are actually dissatisfied, and they unquestionably are in some difficulty since their top man, who is extremely popular, heads a government which is run by a coalition in which the Center Party has the majority.

All the same, however, it is not written in the stars that Suominen is going to get rid of that cabinet at one blow. But whatever he may do in that respect, what direction should the Kokoomus' reappraisal of the basis for the government take?

The answer to that question is already doubtful if one is referring to the two moves we mentioned earlier. Furthermore, Ilkka Suominen created a mess when he openly took a position in favor of dealing with the disputed law on gravel removal in the usual order before the representatives of his party. Actually, it is somewhat surprising to hear a Kokoomus boss state emphatically that his party should not press too hard for the protection of the rights of ownership in such a matter but should be able to adapt itself to the demands of the times. It is true that Suominen already was expressing himself along the same lines in the fall. The fact that he consistently maintains the same personal line can perhaps also be regarded as estimable. Also, we actually have no reason to question the correctness of his judgment.

However, with his action in regard to the law on gravel removal, he challenged the Center Party--the partner in cooperation which he had been "wooing" only a few months earlier--directly. The Center Party regards the gravel law as camouflage for expropriation, and consequently a grave encroachment on the rights of ownership--in this case, the owner's right to his land. Its press has also already poured out its wrath over the Kokoomus' treachery. The Conservative Party, as Suominen himself started out by mentioning, can expect violent attacks in this area from both the Kepus and the producer organizations. The matter is not affected by the fact that the Kokoomus' vote, all by itself--after the SFP group allowed itself to be convinced by the expert legal knowledge and also the changed opinion on the gravel question--was not decisive in the constitutional committee. Is a confrontation with the Center Party camp a suitable price to pay for the possibility of gaining a small amount of good will on the left for the Kokoomus?

Moreover, Suominen also challenged the majority within his own parliamentary group, where the reactions were even more violent than when he demanded absolute group discipline of his party's representatives in Parliament in the fall. Thus, the party chairman's "cut with a spade" on the gravel question reveals a basic conflict between him and the parliamentary group on a question of legislation which is relatively central as far as principle is concerned. Should this be interpreted as meaning that Ilkka Suominen, in his eagerness, constantly hurries along too far in advance of the "foot soldiers" so that he can really be sure that they will follow him when it is important for them to do so?

THREE CENTRAL SPECTRUM PARTIES AGREE ON CLOSER TIES

Helsinki HUFVUDSTADSBLADET in Swedish 1 May 81 p 11

[Text] The three central spectrum parties are creating more definite forms of cooperation. The Center Party, the Swedish People's Party and the Liberal Party have agreed to realize the old idea of a center delegation.

"This is a cooperative organization, not a cover organization!" stressed SFP [Swedish People's Party] chairman Par Stenback when the three leaders of the central parties presented the new delegation yesterday.

All three declined to make comparisons with the Finnish People's Democratic League (DFFF).

"No individual can be a member of the central delegation," stated Center chairman Paavo Vayrynen.

The central delegation consists of 18 members, 6 from each party. The party leaders and parliamentary groups of each party should be represented. The delegation will elect its own chairman and two vice chairmen from its ranks.

The delegation will meet at least twice a year. Its task is to strengthen co-operation and promote the mutual political goals of the parties according to the communique issued by the three parties yesterday.

Nothing New

To carry out its objectives the delegation can arrange seminars, make declarations and statements, issue pamphlets and political programs and carry out publishing activities.

All three party leaders--Paavo Vayrynen (Center), Par Stenback (SFP) and Jaakko Itala (Liberal)--stressed yesterday that this is not really anything new. They have just created more definite forms for the existing cooperation.

But at the same time it was clear that they now expect more effective cooperation and a more united central spectrum activity in politics.

Declaration of Principle

Along with the decision to set up a central delegation the three parties have written a mutual declaration of principle, "Toward a Humane Society."

"This is not a program for action," Par Stenback pointed out. "We have combined our mutual basic ideological viewpoints. And that was done without any problems."

The declaration says among other things that they want to prevent a harmful dichotomy of the political arena into a right and a left that cannot work together. In addition it stressed ecological principles, genuine popular rule and the right of minority cultures to develop on their own terms.

Liberal Prodding

The idea of a central delegation has been around a long time as part of the debate but it did not really get off the ground until the extra Liberal crisis congress last winter. There the Liberals strongly urged more definite forms for central cooperation.

But it isn't just the shrinking Liberal Party that wanted its flanks supported. The two other central parties also indicated interest in stronger cooperation. Among other things the Center Party has a special interest in being able to fall back on a bigger central block in tests of power with the Social Democrats. In parliament the central block has 51 seats compared with the Social Democrats' 52, the People's Democratic League's 35 and the Conservative Party's 46.

One problem for central cooperation at the moment is that one of the parties is in the opposition, namely the Liberals.

However Paavo Vayrynen hinted that the next time a government is formed all three would once more be on the same side of the aisle, either in the government or in the opposition.

Election Cooperation

The stronger central cooperation is also expected to show up in the next election and possibly in the 1984 presidential election as well.

Asked about how this would affect the presidential election, Paavo Vayrynen answered true to form that it is still too early to discuss that.

"But our goal is joint action in that instance too."

Par Stenback stated that the same rules should apply to a presidential election.

"An election alliance is very possible but a lot depends on who the candidates are."

Liberals a Problem

The fact that the Liberals are not part of the Koivisto government will certainly affect work within the delegation, Stenback said but he would not say precisely in what way. Itala rejected the idea that the Liberal Party with its fast eroding voter base and its four parliamentary members is now taking the first step into the Center Party with which it will gradually integrate.

"The Liberal opposition status is the smallest problem one can imagine in the current political situation," Itala maintained.

Can Cooperation Expand?

In the communique the three parties also touch on a possible expansion of central cooperation by appealing to all those who would like to cooperate with the political center, though without mentioning the name of any specific party. According to Jaakko Itala everything now depends on how political developments shape up.

"We don't see any other party that might join in," said Vayrynen in turn. He too refused to speculate about future developments. Nothing has been ruled out.

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C30: 3109/168

PARTIES AGREE ON LEGISLATIVE PACKAGE ENDING CRISIS

Helsinki HUFVUDSTADSBLADET in Swedish 9 May 81 p 18

[Text] The government's economic policy ministerial committee gave preliminary approval yesterday to a proposed solution to the lengthy conflict over the social policy part of the income settlement--a conflict that came close to causing the fall of the Koivisto government. The proposed solution includes indexing minimum sick pay allowances and a new "children's raise" and has also been approved by the People's Democrats who were demanding a thorough revision of the social policy legislative package.

Prime Minister Mauno Koivisto expects a final decision from the government parties by next Thursday at the latest and then the intention is to speed up parliamentary debate on the social insurance reforms so that the legislative package can be adopted before the summer recess.

There has been considerable irritation in parliament about all the decisions on formulating laws being made outside the chamber and this irritation is heightened by the discovery of important technical shortcomings in the bills. But in spite of this it now appears that the government has definitely overcome the crisis over the social policy part of the income settlement.

The compromise formula was worked out quietly after the May Day holiday at the request of Prime Minister Mauno Koivisto. Before May Day the prime minister announced that since the People's Democrats had rejected his proposal to make "only minor adjustments" in social insurance reforms during a quick parliamentary debate in May he would form a "one-man task force" over the weekend. As a result of his reflections he asked a civil service task force under the leadership of Pekka Tuomisto, a consultant official with the Finance Ministry, to prepare adjustment proposals within a certain definite framework. Finance Minister Ahti Pekkala was probably also involved in the preliminary work.

The results of the work done by the task force were presented yesterday to the government's economic policy ministerial committee and received preliminary approval from everyone although all those involved reserved the right to consider the matter in various decision-making bodies before giving final approval.

Thus the social policy legislative package already before parliament is aimed at a reform of the social insurance system substantially increasing social benefits.

while at the same time taxing them. The People's Democrats in particular have been dissatisfied with the "disloyal" shape the laws took during the income negotiations and their demands for changes threatened for a long time to lead to the fall of the government. The Center Party has also expressed a wish for changes but the line there has been not to rebel against the "Pekkanen paper."

DFFF [Finnish People's Democratic League] and the Center Party want among other things to increase the minimum health insurance allowance while the Social Democrats have recently stressed the need to improve maternity benefits.

Supplements for Heads of Families

The proposed solution includes a supplement for heads of families, a "children's raise" of 4.25 marks per child--but with a maximum of 8.5 marks. This money would be added to sick pay for the spouse earning the most money.

Under the new proposal maternity benefits would be paid according to the so-called higher norm, i.e. 80 percent for the first 100 weekdays compared to only 75 days in the original proposal. Parental leave would also be extended from 3 to 4 months.

Both the minimum payment and the children's increase would be tied to the APL [expansion unknown] index.

These changes would increase the cost of the social insurance reform by 40-45 million marks at this year's level. For the insured the value of benefits will increase by a total net of 25-30 million marks. The plan calls for financing the changes from assets in the health insurance fund.

Continued Study

The intention is to study how the tax income supplement included in the total reform package on church income can be channeled into financing of the reform.

And finally the proposed solution contains a statement that up to the end of 1982 the government will look into the need to further expand social insurance reform. At the same time it will investigate how starting at the beginning of 1984 the regulations separating maternity benefits from the level of sick leave payments can be eliminated.

It seems likely that this proposal will also pass in the parliamentary groups of the government parties. From the DFFF point of view the proposed changes are in the words of chairman Kalevi Kivisto enough to be acceptable. He referred in particular to the indexing of the minimum daily allowance.

As far as we can judge opposition was greatest among Social Democrats who put more emphasis than the others on the demand by interest organizations that the legislative package be approved without changes in parliament. But as far as we can tell the Social Democrats will not oppose Prime Minister Mauno Koivisto, who stands behind the proposed changes, any more than they have in the past.

Organization Criticism Expected

A discussion of the solution model is planned for next Tuesday's meeting of the Economic Council which includes representatives from interest organizations. Criticism from the organizations is expected in government circles but it is not thought the criticism will be sharp enough to jeopardize the chances of getting the proposed solution accepted.

As late as yesterday FTFC [expansion unknown] officials--who had not yet learned of the proposed solution--advocated passage of the legislative package without changes by parliament. The organization now has an opportunity to make it clear that confidence in the state as part of the agreement has been shaken. But as far as we can tell the government with this step has overcome the crisis surrounding the income settlement.

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CSO: 3109/188

SOVIET AMBASSADOR SOBOLEV DISCUSSES FRIENDSHIP TREATY

Helsinki SUOMEN KUVALEHTI in Finnish 15 May 81 pp 18-22

[Interview with Soviet Ambassador V.M. Sobolev by Juhani Aromaki; date and place of interview not given]

[Text] "The Soviet Union and Finland mutually resolved their security issue by signing the Friendship, Cooperation and Mutual Aid (YYA) agreement which for over 30 years has in all respects preserved its timeliness and original significance for both countries," special Ambassador Plenipotentiary V.M. Sobolev said to SUOMEN KUVALEHTI in an exclusive interview.

"Obligations specified in the agreement with reference to resistance, if the Soviet Union should be attacked via Finland or its territory, guarantee the security of the two countries and, furthermore, help to strengthen efforts for peace in Northern Europe and the Baltic area. This is the international significance of the agreement," the ambassador said in the first interview he has granted a Finnish newspaper.

Soviet special Ambassador Plenipotentiary V.M. Sobolev will soon have served 2 years in his post at Tehtaankatu 1 [Soviet Embassy] in Helsinki.

He was transferred from his duties as head of the Scandinavian Department in Moscow to Helsinki as successor to Ambassador Vladimir Stepanov.

In his office special Ambassador Sobolev told us that the time he has spent in Helsinki has been an interesting, but particularly busy one.

Finnish-Soviet cooperation has been constantly expanded in all areas, especially trade, but political issues are, nevertheless, most important and foremost among them.

The ambassador was born in 1924. After the war years he studied in the Faculty of Scientific Farming. When he finished, he worked for the government in various capacities and for the NKP [Soviet Communist Party] in the Novosibirsk area.

In 1964 the ambassador graduated from the Soviet Foreign Affairs Ministry School for Diplomats and from 1965 to 1970 served as legation adviser, adviser to the minister and finally as his country's ambassador to Algeria.

After that he served a year as his country's Foreign Affairs Ministry's first deputy director of the African Department and was then transferred to Belgium from 1971 to 1975 as ambassador.

Sobolev served as head of the Scandinavian Department for 4 years, after which he was transferred to his present post in Helsinki.

The ambassador is a passionate skier. Only this winter in Helsinki was a bit too mild for that sport and snow conditions were not the best possible in Moscow either during the NKP party congress.

However, a few days spent skiing in Finnish Lapland, at Pallastunturi, improved the situation somewhat.

The following persons were Soviet ambassadors in Helsinki during the postwar years prior to special Ambassador Sobolev's arrival:

Pjotr Orlov, 1945-1946; Aleksander Abramov, 1946-1948; Grigori Savonenkov, 1948-1951; Viktor Lebedev, 1951-1958; Aleksej Zaharov, 1959-1965; Andrej Kovalev, 1965-1970; Aleksej Beljakov, 1970-1971; Viktor Maltsev, 1971-1973; and Vladimir Stepanov, 1974-1979.

The long-range program agreement on Finnish-Soviet trade is a document which, "according to Leonid Brezhnev, may rightfully be included on the credit side of major European policy and among the most notable actions toward realization of the CSCE resolution."

This is what Soviet special Ambassador Plenipotentiary V.M. Sobolev, whom SUOMEN KUVALEHTI questioned on the international situation, had to say about the status of detente, Finland as the neighbor of a major power, guarantees of Soviet security, the "laboratory" of East-West relations and economic cooperation, among other things.

In the course of this interview arranged by V.N. Zaitshikov, the manager of the APN's [Novosti Press Agency] Helsinki office, the ambassador did not feel that taking a stand on events in Poland and Afghanistan was warranted.

Brezhnev's Eight Points

[Question] Much has recently been said and written about growing tension in terms of the international situation. What could be done to normalize it?

[Answer] Growing tension in the international situation is now of concern to millions of people the world over. The peoples of the world absolutely need peace, both in terms of resolving world problems — environmental pollution must be stopped, disease combatted — and of raising the standard of living — everyone must be guaranteed a place to live and a job. Therefore, the road to tomorrow does not lie in preparations for war since this merely condemns nations to the pointless squandering of their material and spiritual wealth, rather in the cementing of peace.

The recently held 26th NKP Congress demonstrated that, aside from the desire and political determination to work for peace, the people of the Soviet Union also have a concrete and clearcut peace promotion program. The proposals presented at the

party congress are beginning to be called "Breshnev's eight points" in the West. They deal with the hottest of issues on the solution of which the fate of peace and detente depends.

In his message to heads of state and government from many countries, Soviet chief of state Leonid Brezhnev said that he hoped that the new Soviet initiatives for the strengthening of peace and the security of the world's nations will be given careful consideration. The very fact that such a message was sent confirms the seriousness of Soviet intentions.

The peace program presented at the 26th NKP Congress is not merely a proclamation, but a concrete and real action program. It is capable of serving as an excellent basis for reciprocal relations. The Soviet Union does not unconditionally insist on the adoption of its proposals, rather is ready to consider all initiatives coming from other directions. It is thus a question of seeking solutions that can be accepted by all concerned.

Detente Threatened

[Question] After the hopes raised in the 1970's, detente is being threatened. Is this reflected in Soviet-Finnish relations?

[Answer] Relief of international tension presupposes the constant strengthening of relations between two nations and the extension of cooperation on an equal footing between them. The Soviet Union views this as one of the most important factors in promoting detente and in practice carrying out those tasks put into words in the GGE resolution. It is precisely in the domain of relations between two governments that their real desire to pursue a policy of detente in practice becomes apparent.

The example of Soviet-Finnish relations that has been offered proves that the principles of detente proclaimed in the text of the resolution can be put into practice in relations between nations and that their consistent realization benefits all nations and peoples.

The common political view as to how to relate to the realization of the resolution is based on the strict observance of all its principles and formulations and their consistent practical application. This was again asserted in the Soviet-Finnish communique issued on 18 November 1980 on the occasion of President Urho Kekkonen's state visit to the Soviet Union. In that document they say that it would be in the interests of all nations if detente, to which there is no nor can there be a more reasonable alternative, were to continue to be the leading trend in international relations.

Profound Trust Between Two Neighbors

[Question] Finland is the Soviet Union's neighbor in Western Europe and it pursues a market economy. In your opinion, what kind of a neighbor does Finland make?

[Answer] I would rather speak about what kind of neighbors the Soviet Union and Finland are. Strict observance of the principles of respect for each other's sovereignty and independence, equality in dealing with one another and nonintervention in each other's internal affairs have helped the Soviet Union and Finland

to achieve what is most important in their reciprocal relations, namely profound and enduring mutual trust. In December 1977 President Kekkonen said that, when Finnish-Soviet relations are judged in the future, the word "trust" will figure highly in that evaluation.

This mutual trust has in turn guaranteed high-level political agreement in the resolution of those issues that are of vital importance to the Soviet Union and Finland. The effort to grant priority to everything that would unite both countries, the willingness or ability to respect one another's natural and rightful interests and to deal with those issues raised by life and the business of cooperation between the two countries stems from this agreement. In this way what divides us is left behind.

Timely YYA Agreement

[Question] On the basis of historical experience, the Finns say that a 100-percent guarantee of security does not seem to be enough for the Soviet Union. It wants at least 110-percent certainty as to its security. Is this true?

[Answer] The security problems of nations occupy an admittedly important place in international politics. Resolving them is sometimes particularly difficult, especially if there is a lack of mutual trust or if the other party's interests are not taken into consideration. The Soviet Union and Finland resolved their mutual security problems through the signing of the YYA agreement in 1948, which for a period of over 30 years has in all respects preserved its timeliness and original significance for both countries. Obligations in the agreement to offer resistance in the event the Soviet Union should be attacked via Finland or its territory guarantee the security of the two nations and help to strengthen efforts for peace in Northern Europe and the Baltic area. This is the international significance of the agreement.

The same kind of attitude toward the YYA agreement and the lack of differences of opinion in the interpretation of its provisions as well as the assurance that both parties will clearly carry out their obligations guarantee a reliable and progressive development of relations between the Soviet Union and Finland.

Finland "As a Laboratory"?

[Question] At present Finnish-Soviet cooperation is on a broad scale. The other Western European countries regard Finland as some sort of "laboratory" in which East-West relations can be tested. Does the Soviet Union view the situation in this way?

[Answer] The principle of peaceful coexistence grew and was firmly established in Soviet-Finnish relations before it did in practice between other nations representing differing social systems. In many respects its practical realization has made constant progress through specific forms of cooperation advantageous to both parties. The high level and efficacy of political cooperation, effective interaction on the world scene, the extensiveness and dynamic nature of Finnish-Soviet economic, cultural and other relations give us the right to describe current relations between these two countries as active peaceful coexistence in a constantly evolving form which exhibits new techniques in cooperation on an equal footing.

[Question] You speak of political cooperation, which undeniably implies that the views of the countries in question on international issues coincide. What examples can you provide in connection with this?

[Answer] There is a particularly broad spectrum of international issues on which Soviet and Finnish efforts are moving in the same direction. In making their own contribution to the successful conduct of the CSCE, these countries have consistently striven to resolve the main issue of the moment: to put an end to the arms race and move toward true disarmament. The Soviet Union and Finland feel that it is absolutely essential to go on with the detente policy, which has in fact been stressed over and over again at summit meetings.

The Soviet Union's many foreign policy initiatives to further the cause of peace, limit the arms race and resolve disarmament problems have also been endorsed in Finland.

The Soviet Union supports Finland's initiative for the establishment of a zone free of nuclear weapons in Northern Europe and has declared itself ready to guarantee the status of such a zone in conjunction with other nuclear powers. We have asserted that, by pursuing a proven policy of good neighborly relations and cooperation, the Soviet Union and Finland will in future as well make an active contribution to the efforts of all peace-seeking nations to shape the face of Europe. Leonid Brezhnev has said that this is the promising direction our joint policy is moving in, as we see it.

Notable Agreement

[Question] Finland has in many respects been a pioneer in the field of economic cooperation with the Soviet Union. What possibilities are apparent in terms of economic relations between these two countries?

[Answer] Cooperative commercial, economic, scientific and technical relations between the Soviet Union and Finland are being realized at the present time on the basis of the long-range program agreement signed in 1977 and extended in 1980 until 1995. It comprises trade, cooperation — among other things, on the basis of compensation — in the construction of industrial and other kinds of projects, cooperation in the field of production and specialization, as well as scientific and technical cooperation. Indicators, which we will strive to achieve by 1995, have been set for each field.

The volume of reciprocal trade planned for 1981-1985 is from 18 to 20 billion rubles and from 22 to 24 billion for 1986-1990. Furthermore, the amounts of Soviet machines and equipment, oil, coal, electrical energy and natural gas as well as other goods which will be shipped to Finland and of Finnish goods to be shipped to the Soviet Union have been agreed on.

In the long-range program agreement we take into consideration the mutual possibilities the division of labor between our two countries, cooperation in the field of production and specialization offer us. According to Leonid Brezhnev, this document may rightfully be included on the credit side of major European policy and among the most notable actions toward realization of the CSCE resolution.

[Question] Speaking of the fact that there ought to be more concentration on the realization of joint projects in the field of Finnish-Soviet economic cooperation, what examples can you provide?

[Answer] As we see it, the development of cooperation in the field of production and specialization between the production plants of both countries is a promising area. This covers the wood-processing, paper and cellulose, mining, metalworking, oil-refining and petrochemical industries, energy production and the electronics and food industries.

Within the framework of cooperation between the two countries, we are investigating proposals for the construction of a 1,000-Mw nuclear power plant, 30 and 60-Mw heating plants, an ore-concentration complex intended for use in the phosphoric industry and other projects in Finland to be handled with Soviet technical aid.

In the Soviet Union the Svetogorsk paper and cellulose complex and Paajarvi lumber industry center are being expanded with the aid of Finnish firms and they are at present studying a proposal for the construction of the second and third stages of the Kostamus ore-concentration complex.

Future prospects for Soviet-Finnish commercial and economic cooperation that have already been outlined are based on results thus far obtained. For example, the 1976-1980 volume of trade came to almost 13 billion rubles. Rises in price on the international market have undeniably also affected the rise in the monetary value of this trade, but the dynamic evolution of Soviet-Finnish trade is, nevertheless, based on growth and variety in the flow of import and export goods.

Between 1976 and 1980 the physical volume of Soviet shipments of oil, coal, natural gas, ferrous alloys, aluminum, copper, chemical products, machines and equipment to Finland increased. The volume of goods purchased from Finland also increased and the list of such products became longer.

During the past 5 years imports of ships from Finland have more than tripled, of machines and equipment, cartons and consumer goods almost doubled and paper imports have risen to one-and-a-half times as much as before.

In 1980 alone some 20 new Finnish industrial products appeared on the list of goods imported from Finland. Aside from the usual suppliers of goods, medium-sized and small Finnish firms' opportunities for commercial cooperation are expanding.

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CSO: 3107/94

PAPER VIEWS CONSERVATIVE CONGRESS FOREIGN POLICY PLANK

Helsinki HELSINGIN SANOMAT in Finnish 19 May 81 p 2

[Editorial: "Conservatives Made Some Tactical Movements"]

[Text] At its party congress the Conservative Party appeared to be unanimous, even abnormally good-natured. The congress chose the party's chairman and vice chairmen without a vote. It approved the proposal of the party leadership for a new program of principles nearly in its entirety. No perceptable differences appeared with respect to public statements.

However, the impression arising from the decisions of the congress does not entirely correspond with the actual situation in a party that emphasizes the foremostness of the individual. Conservative as well as radical pressures, which appeared already during the preparation of the new program of principles, related to this. And even at the congress speeches were heard that were critical of the party leadership.

But the fact remains that this congress was compared to previous congresses unique in its outward unanimity. This was primarily the result of careful advance preparation for the congress, the party's present situation, favorable opinion polls, and future hopes.

In general, an opposition party does not have much political responsibility for managing the affairs of the country. Its life is relatively free from care in pointing out social problems, criticizing those in power, and emphasizing the fact that the critic has an alternative to offer. It is this alternative that the Conservative Party is now striving to outline and make known with its new program of principles and public statements. Their content, however, does not surprise anyone.

The program of principles has been clarified perceptably from the previous program, but at the same time it contains a vague concept called "social option economy", which is supposed to mean that in all economic activities the effect of economic measures on the individual will be taken into consideration. But even the other parties want the same thing in dealing with employment, for example.

Also worthy of deliberation is the point in the program in which the Conservative Party wants to develop a mixed economy and distribute the ownership, undertaking, and responsibility for the means of production "in a purposeful manner" among private individuals, cooperatives, the state, and local municipalities.

In its resolution the Conservative Party takes a stand on various economic and social questions with respect to program goals of the near future and approves the establishment of an environmental ministry in the manner of the SDP. The demands of the party are not too consistent. For example, it is demanding a deceleration in the growth of state expenditures and a reduction of income by reducing taxes, but is also demanding an increase in many state expenditures -- in itself correct -- to benefit families with children, among other things.

In the discussion on foreign policy, the party congress was especially cautious. No discordant voices or exceptional speeches were heard. A definition in accordance with the country's official foreign policy line was included in the program of principles, a definition that so far has not been included.

As a white-wash for the party the congress adopted a positive stand with respect to continuing the YYA [Friendship, Cooperation, and Mutual Aid] Agreement "in good time before the end of this decade" as Chairman Ilkka Suominen stated. This is a tactical move on the part of the Conservatives, a move in which they succeeded in being the first among all the parties to play the role of an initiator in this matter.

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CSO: 3107/92

DEBATE ON MILITARY ASSISTANCE CLAUSE IN PACT WITH USSR WIDENS

Stockholm DAGENS NYHETER in Swedish 23 May 81 p 23

[Article by Harald Hamrin]

[Text] Finland has a security policy debate going which is more open and frank than has been the case for a long time. The debate concerns the 1948 Pact of Friendship between Finland and the Soviet Union, the possibilities of Finland to remain outside a conflict between the superpowers, and the role of the Finnish Armed Forces in maintaining the country's neutrality in case of crisis or war.

The Finnish security policy debate, which is very heated right now, concerns the Pact of Friendship, but only scarcely concealed under the surface are also personal and political differences among leading politicians and diplomats in Helsinki. They are differences which give the debate on extra sharpness and which, at least in one case, caused a source to tell DAGENS NYHETER that "this is actually not a discussion of the Pact of Friendship but a discussion to eliminate political opponents."

Next to the debate, there is, moreover, a debate going on concerning the debate. Is it in the interests of Finland to discuss as openly as is now the case central and sensitive security policy issues, such as Finland's relations to the Soviet Union? Or may such a debate, on the contrary, harm the interests of Finland?

Jan-Magnus Jansson, editor-in-chief of HUFVUDSTADSBLADET and chairman of the defense committee, which in early March presented its report on the defense of Finland during the coming years, said:

"As a newspaper man, I suppose I should welcome a debate. As far as the interests of the country are concerned, I would say that there is, of course, the risk that the debate gets out of hand, and that opinions are expressed which have not been too well considered. However, in spite of everything, I do not feel so far that one has gone beyond those limits but that one has remained within the area which we should be able to discuss.

But there are also other opinions.

"I have been surprised at this debate," a high-ranking government source tells DAGENS NYHETER. "It is an unnecessary debate which we cannot be happy about."

Discontent

In Soviet quarters, they are not happy either. It is true that there has been no official protest from there. On the other hand, they have, in various ways, been accentuating the discontent of Moscow with a debate which "does not help the Soviet interests in relation to Finland," as a Finnish source formulated the issue.

If the feelings in Finland with respect to the debate are mixed, this is largely due to the fact that, despite everything, a fundamental agreement exists among practically all parties on a couple of important issues: that good and trusting relations with the Soviet Union are in the interests of Finland, and that the Pact of Friendship constitutes a cornerstone in these relations.

The third parliamentary defense committee report and certain disclosures of the committee's internal discussions formed the basis for the now ongoing debate. The debate concentrates largely on the so-called military policy clauses of the Pact of Friendship.

Role of Soviet Union

The key issue is at which stage of an international crisis, if any, affecting Finland and the Soviet Union, Soviet military assistance to Finland would become topical. Another central issue is whether this assistance would comprise Soviet troops or be limited to arms supplies or other material assistance.

During the deliberations of the defense committee, the undersecretary of the Ministry of Foreign Affairs, Keijo Korhonen, presented a proposal for the formulation of a sentence included in the report of the committee, the verbatim text of which ran as follows: "It shall be a condition of assistance that an attack, as referred to under the Pact of Friendship, has already taken place." The idea had been taken word for word from a recently published book, entitled Tamminiemi (Ekudden), by President Urho Kekkonen.

The move by Korhonen, which by many observers today is described as a "tactical error," immediately met with fierce resistance within the committee. Majority Communist Jorma Hentila of the Finnish People's Democratic League (who, later on, according to sources of DAGENS NYHETER, was the one leaking the move to the press) headed those attacking Korhonen. Hentila was supported by, among others, left-wing Social Democrat, Professor and Peace Researcher Raimo Vayrynen.

After heated debates, the members of the committee finally agreed on a compromise, according to which "the military policy clauses (of the Pact of

Friendship) may be applied when an attack has taken place, or when threats of such an attack have been ascertained by either side." That wording had, in turn, been taken from an earlier report (1976) of the defense committee and had, at that time, not given rise to any debate.

This time, however, Max Jakobson, former Finnish ambassador to the United Nations as well as to Sweden, and an observant participant in the debates on security policy issues, came forward. Jakobson criticized the committee for having lowered "the assistance threshold." He, moreover, said that if Finland is in such a hurry to request assistance--already in the case of a "threat of attack"--this may cause Finland "to become a target of attack rather than being a deterrent against such an attack."

"Each step toward a lowering of the threshold of assistance will reduce our credibility as a neutral state in the West and will thus increase our risk of becoming involved in a conflict between East and West," Jakobson said.

The counterattacks, primarily from left-wing Social Democrats, members of the Finnish People's Democratic League, and Communists, did not fail to occur. The targets were primarily Jakobson and Korhonen. It was maintained in leftist quarters that the chief guarantee for Finland to avoid the destruction of war was the protection afforded by the Soviet nuclear umbrella and the Soviet military power.

Reservations

"A military cooperation between Finland and the Soviet Union will strengthen considerably the preventive significance of the Pact of Friendship and the Assistance Pact," wrote Minority Communist (the "Stalinist") Matti Viialainen in a statement of reservations with respect to the report by the committee.

Viialainen, however, was alone in making these reservations--on this point he was not even joined by his Majority Communist colleague Hentila. The majority of the committee, on the contrary, agreed on a formulation which emphasized Finland's responsibility for its own security and independence.

"Also according to the Pact of Friendship does Finland have the primary responsibility for the defense of its territory. If our own possibilities of averting an attack, as defined in the agreement, are insufficient, the Pact of Friendship offers alternatives at various levels for strengthening our defense."

Or expressed in clear terms: The stronger Finland's defense, the lesser the need for Soviet assistance, and the stronger the Finnish efforts toward neutrality.

"Illogical"

On the criticism from the Left and on its repudiation of the idea of strengthening the defense of Finland, Jan-Magnus Jansson, chairman of the defense committee, tells DAGENS NYHETER:

"I do not consider it logical in view of the fact that they, nevertheless, accept the premise, i.e. our liability to have a defense--completely independent of the defense which one considers that sovereign states, in general, should have--as imposed on us by the Pact of Friendship and Assistance. And I find it logical that if one recognizes that liability, the defense should then be at least relatively effective."

Already in early April, in an interview by the Finnish News Agency, President Kekkonen sought to emphasize that the formulation of the Pact of Friendship was such as to leave no scope for any "speculations as to the course of our security policy." In a few words, which may be perceived as an allusion to the significance of Finland's own defensive power, he, moreover, pointed out that Finland as well as the Soviet Union "carries its share of the responsibility and guarantees its share of the security and the actual measures relating thereto."

But the public debate on the Pact of Friendship and on Finland's security and defense policy, which has now been going on for a couple of months, with more or less intensive climaxes, shows no signs of weakening.

On the contrary, it forms part of an increasingly more open general political debate which Finland shows many signs of welcoming. Jan-Magnus Jansson--he himself one of those who in different connections have been mentioned as conceivable presidential candidates after Kekkonen--explains the growing desire for a debate as follows:

"It is a phenomenon which is connected with the fact that we realize in Finland that there will be a change of power in the presidency sooner or later, and that this will entail an immensely great change, and that stimulates ideas about the future of Finland.

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CSO: 3109/193

BRIEF

POLL: USSR BEST FRIEND--Sweden and the Soviet Union are Finland's best friends in the view of Finns according to an opinion poll published Saturday. Those interviewed were asked to name the countries they considered friends of Finland. Not surprisingly neighboring countries were named most often. Sweden was named as a friend by 70 percent of all respondents. In second place was the Soviet Union with 68 percent. These two countries are in a class by themselves. They were followed by Norway (51 percent) and Denmark (33 percent). Then came England, Hungary, West Germany and the United States, ranging from 18 to 15 percent. When it comes to ranking countries by "friendliness" 43 percent put the Soviet Union in first place. Sweden was named first by 30 percent. Opinions have not changed much compared with the two polls taken last year. The poll which covered about 1000 Finns was conducted in March by a Gallup Institute at the request of the Helsinki evening paper LITA-SANOMAT. [Text] [Helsinki HUFVUDSTADSBLADET in Swedish 10 May 81 p 22] 6578

CSO: 3109/188

RADIO, TV COVERAGE OF PASOK CHAIRMAN CONSIDERED EXCESSIVE

Athens ELEVTEROS KOSMOS in Greek 19 May 81 pp 1,12

[Text] Both political observers, but also public opinion, more generally, are occupied by the unprecedented--in Greece's political affairs--coverage which PASOK [Panhellenic Socialist Movement] leader A. Papandreou received last weekend on ERT [Greek Radio and Television] radio and television and YENED [Armed Forces Information Service]. It was also observed that, in the last two months, there has been continuous radio and television coverage of Papandreou at every opportunity--his departures and arrivals, receiving guests, etc.--but the television and radio "bombardment" on Saturday and Sunday, 16 and 17 May, was of such an extent and duration that it is assuming the nature of a scandal. Political observers stressed on 18 May that there is no doubt that this excessive coverage of Papandreou is occurring after an "order from on high," given that it is known that ERT and YENED do not operate as independent or private networks and the control which they endure is stifling.

The coverage can be construed in two ways:

1. The coverage is occurring in the frameworks of an effort for "embellishment" of PASOK in the consciousness of the Greek people who are to be persuaded in this way that Papandreou does not represent any danger. This method will promote the plans concerning which the NEW YORK TIMES spoke, as well as the "agreement" concerning which so much has been written recently. That is, the intention of forming a coalition government under Papandreou with a wing of "New Democracy" [ND] under Akh. Karamanlis and Boutis after the election will be promoted. In fact, it was added that it is not happenstance that, of all the ERT television directors, director Kl. Masouras, the man specially entrusted with coverage of President Karamanlis, was chosen to take care of the direction of A. Papandreou's tour and speeches in Alexandroupolis and Xanthi.

2. The coverage is occurring with the government's approval, with the further aim--as it is said--being "terrorization" of voters by Papandreou's extreme positions and threats concerning "purifications" in most sectors of public life and the state mechanism. In this case it is believed that the coverage will act negatively for PASOK and that the fear which will be caused will restrain defecting "New Democracy" voters and for others place the dilemma: "New Democracy or the dangerous PASOK?"

At any rate, the same observers said that the second interpretation is rather feeble because Papandreou did not make an agreement with the government for his television

coverage, but also because the television and radio would not have stressed repeatedly that the PASOK president visited the large military units in Thraki and was briefed, in fact for hours, by the commander of the Fourth Army Corps, since this could have a rather opposite result than causing fear.

Anxiety in ND

In addition, intense anxiety has been caused in the heart of ND by the "scandalous"--as it was emphasized--coverage of Papandreou and, in fact, questions were expressed directly in the corridors of the Chamber of Deputies last evening by ND deputies like "What is going on?" and "Who really is running this country?"

Also, it was thought that Averof's presence for the first time in recent years at the memorial service for Colonel Psarros at the Klima Doridos occurred in the frameworks of a reaction by the minister of national defense to things happening behind the scenes.

"We Do Not Know If It Will Reoccur"

Government circles, referring on 18 May to the coverage given to PASOK President A. Papandreou during his speeches in Xanthi and Alexandroupolis, stressed that there was no agreement on the coverage time and maintained that it cannot be foreseen whether coverage of this type will be repeated in the future.

In addition, the same circles, as regards the demand stated by Papandreou during his speech concerning resignation of the government, stressed that the PASOK president since the approach of the elections has sought for the government to resign and "he will not stop seeking it also at the approach of new elections."

Finally, a government source questioned about who paid the cost for lighting Xanthi square when the television covered Papandreou's speech, said that "ERT did not pay the costs for lighting." (At any rate, ERT paid, with the Greek people's money, for the large crew, travel expenses outside of headquarters, etc. of many employees, the transmission circuits, etc.)

The "Briefing"

Also, the long "briefing" of A. Papandreou by the military leadership of western Thraki was an object of commentary by the government source. Specifically, this source, questioned about the length and non secret nature of Papandreou's briefing by military authorities in the area, said that "such a briefing was natural because Papandreou is a leader of the official opposition party."

He Will Be Opposition Again

A government source, questioned about Papandreou's 18 May statement in Xanthi, according to which "the battle was decided in Thraki and now the government must resign," made the following statement:

"Since the approach of elections, Papandreou has sought for the government to resign and he will stop repeating it at the approach of other elections because he will again be the opposition."

In addition, late last night the following communique was issued from the ND office:

It was necessary to run hundreds of buses and to mobilize PASOK supporters from all points of Makedonia and Thraki, from every corner of northern Greece, to present a respectable gathering in Xanthi and thus minimize the impression which would be created by comparison between the size of the ND gathering at which ND President G. Rallis spoke last Wednesday, 13 May, and the gathering at which Papandreou spoke on Sunday, 17 May. But PASOK failed; despite the bad weather on 13 May and the continuous rain, the crowd which came to hear Rallis was unprecedented in size and, for the most part, unmixed (made up of area residents exclusively).

Moreover, Papandreou failed to inflame the political atmosphere of the country which, especially in this period, has need of mildness and moderation. Nevertheless, this effort of his drew the PASOK leader into a multitude of contradictions, most of which Premier Rallis already noted.

On its side, the party central administration remarks on certain further points of Papandreou's speeches such as:

1. The PASOK leader repeated to satiation that his party has engaged itself in a crusade for strengthening peace in Europe, the Balkans and the Mediterranean. But the only thing PASOK can do is proceed to proclamations. To ND, which has to be concerned with achievement, and only to ND, belongs the honor of consolidation in our area of abatement and peace as well as friendship and cooperation among the Balkan countries.
2. The PASOK leader characterized the victory of Mitterand as a victory of his faction, a victory of socialism. But Papandreou thus refuted his previous statement made in the Chamber in September 1974 when he proclaimed that "Social Democracy is breathing its last in northern Europe and within the next five years we will bury it with all the honors of which it is worthy."
3. In Thraki, Papandreou changed tactics yet another time. He abandoned the moderate position which he had shown lately and returned to the well known slogans about socialism and socialization. This time however Papandreou was more extreme: He spoke about mobilization of private initiative which, in socialist terminology, means obligatory enlistment of workers.
4. In Alexandroupolis, Papandreou again attacked his everlasting bugaboo, the "right" which he accused "after the civil war held the power in its hands with all means." But when will Papandreou finally be informed that, during the greatest length of guerilla warfare and for two years after the end of it, non-rightist premiers ran the country?
5. In a flash of honesty, Papandreou admitted that "the people supported the right after the overthrow of the dictatorship" which means that the popular will relies on ND to govern the country.
6. But what can one expect from the PASOK leader when on 13 May 1981 he declares to journalists (in Athens) that there is no issue of elections--"The elections are in the fall"--and before five days pass he declares to the same journalists (in Xanthi) that elections must be proclaimed?

Papandreou showed yet again that he lacks positions and that, therefore, he is a negative.

Contradicting himself, changing his mask, self-refuting, appearing sometimes explosively warlike and other times peace-loving, he does nothing but try to sow the seeds of political fickleness and vicissitudes. But let him know that he will reap storms. The outcome of the elections in November will be a painful lesson for him and his party.

9247

CSO: 4908/172

FOREIGN MINISTER JOHANNESSON DEFENDS NATO ROLE TO ALTHING

Reykjavik MORGUNBLADID in Icelandic 12 May 81 p 28

[Article: "Olafur Johannesson: The Main Consideration is NATO Membership"]

[Text] "Thirty-Five Wars in 30 Years Outside Our Hemisphere," said Geir Hallgrimsson.

"Is the Veto Power Effective if Push Comes To Shove?" asked Benedikt Grondal.

"The Keflavik Base Will be Connected to a Nuclear Weapon System," said Svavar Gestsson.

Foreign Minister Olafur Johannesson read his report on foreign affairs to the Althing yesterday. This report had been distributed among members of parliament at the end of March and the beginning of April this year. Democracy is so automatic in the minds of many Icelanders, said the foreign minister, that they do not pay attention to the fact that defense is needed. Clouds are darkening the world's sky, he said, and the prospects are worse now than they have been for a long time. Nonetheless, detente must still be pursued; all avenues to agreement must be kept open including mutual disarmament and concessions. Unilateral concession is based neither on reality nor on a correct evaluation of global conditions.

The Main Point is Participation in NATO

The foreign minister spoke first about detente; the Madrid-convention; disarmament; the Middle East; relations between rich and poor nations; the United Nations; Nordic cooperation and the European Council. He called to mind the words of Kurt Waldheim, Secretary-General of the United Nations, that there were now 800 million destitute people living in the world and that it has been estimated that during 1978 alone more than 12 million children under the age of 5 had died from hunger. The stark reality that these figures reflect makes a mockery of all talk of mankind's progress. Here the nations have a job to do in preventing a danger that might turn into a crisis for the affluent states.

If there were valid reasons for Iceland's entry into the NATO alliance at the time, then I consider those reasons to be even more valid now. I consider

participation in the operations of the NATO alliance the main point of our security interests, thereby contributing our share in the effort to assure that war will never break out in our hemisphere.

The minister then spoke on law-of-the-sea issues; Greenland and EEC; the position on Greenland and the Faroe Islands; development cooperation and finally on our foreign trade and protection of our external interests. Johannesson said that our Foreign Service performs an effective service but was hampered by the budget office which considered this neglected child of public service. There is some merit in showing more interest in internal affairs than in foreign affairs but we must realize that the factors deciding our future, our freedom and our welfare can depend on how matters develop in the world and how we ensure our position externally, with regard both to trade and to security and constitutional independence.

Priority for Icelandic Interests

Geir Hallgrímsson, chairman of the Independence Party, said that the main points of these issues were to ensure the security and independence of the nation externally; to ensure our sovereignty over soil and ocean resources; to protect Icelandic interests in the world and to promote peace and wholesome relations between nations and individuals, culturally, commercially and socially.

When we Icelanders took charge of our foreign affairs early in World War II, many nations had experienced the ineffectiveness of neutrality, including the three Nordic Countries, which all are now members of NATO. When Icelanders were first invited to be members of the United Nations on condition that they would declare war on the Axis, words such as neutrality and peace were not frequently on the tip of the tongue of the Socialists who wanted to accept those terms, although they are of the opinion now that the best thing for us is no defense.

During the 30 years that have passed since the defense agreement with the United States came into effect, within the defense perimeter of the Western States, peace has prevailed in our hemisphere, despite the fact that there were 35 local conflicts of short duration in the world, in which 6 million people died, not counting the sufferings of others unmeasurable by any yardstick. From the beginning of this defense cooperation, unity has prevailed here between the three democratic parties on the main elements of foreign policy and the security policy. Clouds appeared in the sky, however, when the People's Alliance became a participant of the government, such as in 1971-73. It should be remembered what the reaction to their influence of the majority of people of voting age at the time was under the slogan "Defended Country." The government coalition of the Independence Party and the Progressive Party in 1974-78 rectified the error that was plaguing defense policy.

Hallgrímsson then referred to the so-called secret agreement between members of the present government which was interpreted by the People's Alliance as giving that party veto power on controversial issues, such as in the sphere of security matters and foreign affairs. This veto power was recorded in the government manifesto dealing with the airport project, but the foreign minister assumed decision-making power over hangars and fuel tanks in Helgavík. Hallgrímsson then traced how the Progressive Party had turned against its own Central Committee decision in this case in the Althing with one exception, the foreign minister. I express my support for the foreign minister's interpretation of his sphere of authority in this matter, aside from this secret agreement the communists are now waving about.

Hallgrímsson said that the People's Alliance was holding security matter views that dated back more than 30 years, and that they have not adjusted their position to the development of international affairs. Their propaganda against defense cooperation is now based on unfounded statements about nuclear weapons on Keflavik Airbase, as they themselves talk about the necessity of "scarce propaganda" instead of this method that has yielded so little results during 30 years of opposition. The unity of the democratic party, said Hallgrímsson, is, however, unchanged with regard to security matters, and to confirm that he read a resolution from the board of the Atlantic Association of Iceland (*Samgöngum vestræna samvinnu*) which consists of members from the Social Democratic Party, the Progressive Party and the Independence Party.

Hallgrímsson discussed the law-of-the-sea issue at length; Icelandic interests that are connected with the fish stocks on one side and the rights to the seabed on the other, with the cooperation with the Greenlanders and the Faroese. In that connection he spoke about the necessity of strengthening the coast guard which still has an important task to perform.

He spoke about our foreign trade interests, in general, and the necessity of being on guard in these matters, as trade conditions, along with the strengthening of the national product, played a most important role in our welfare as a whole and as individuals. He criticized the time it had taken for Iceland to become a member of the International Atomic Energy Agency, which better ensured our security in oil matters, as well as how ineptly the minister of industry had handled the matter concerning Alusuisse by publicizing accusations before he had proven their authenticity.

"Communist Immorality and Constant Betrayal of One's Own Government and Colleagues"

Benedikt Gröndal (Social Democratic Party) said that the People's Alliance had started a new propaganda blitz during the recent months against the established foreign policy and security policy issued by the government that they are part of themselves. "Thus you can never trust this party," said Gröndal; "communist immorality prevails as well as constant betrayal of their own government and colleagues." This propaganda blitz was begun because of internal dissatisfaction within their own quarters as the promise to get rid of the defense force has been buried for the third time in order to get hold of ministerial seats. But propaganda is what the people will receive, although the cause is betrayed each time they eye a minister's seat.

Gröndal referred to documents from the national congress of the People's Alliance concerning security matters. Document number 3 stated: "It is necessary to launch some kind of scare propaganda against the base," that is the Keflavik Air Base, and allegations about nuclear weapons and their use as offensive weapons are a link in such planned "scare propaganda." It is obvious, said Gröndal that the undertone in the People's Alliance new propaganda blitz is support of the Soviet Union and their viewpoints in the international arena.

Gröndal referred to another document from the congress, of the People's Alliance which was compiled by Svavar Gestsson stating: "It emerged...that the government parties had veto power in matters where they considered it important that agreement not be reached. It is conceivable to apply this veto power in this case," that is the storage tank issue in Helgúvík. For this reason Gröndal asked objectively:

if a serious crisis develops in the world, so that it will be necessary to reinforce the defense force at the Keflavik Air Base on a few hours notice, which would have to be with the agreement of the Icelandic Government; is an authorization issued by the foreign minister alone sufficient--or is the agreement of the whole government needed, a government where the People's Alliance has veto power?

Grondal referred to the book written by the Russian Admiral Gorshkov, who had been called the father of the Russian fleet, when he talked about the great and comprehensive buildup of the Soviet fleet in the northern hemisphere. In the records from the congress of the People's Alliance, this buildup of the fleet was considered necessary for the Soviet Union so that they could protect their fishing vessels!! The Admiral was more honest. He said: The naval power of the state is a powerful force to create favorable conditions to implement socialism and communism...." Grondal then expounded on what this naval buildup involved, as well as the reaction of the Western States as a response to this, such as aircraft equipped with radar and the Sosus-listening system on the bottom of the ocean.

Grondal also dealt with the question of the NATO peace declaration. Communists in the Nordic Countries now talk about a unilateral peace declaration, he said, that consisted of abolishing all NATO bases, but this declaration was, on the other hand, not to apply to the opponent, the Soviet Union: neither the arsenal at the Kola Peninsula nor the Baltic States where there is great armament supply. Social Democrats in the Nordic Countries are prepared to discuss this idea in a wider context, in bilateral detente, but within the framework designed by the Soviets and which is echoed by the People's Alliance, this concept is naive and completely unrealistic.

These are critical times in the world, concluded Grondal, and we must show the realism and stamina to act accordingly.

The Defense Pact is a Violation of the Constitution

Svavar Gestsson, minister of social affairs, traced the events preceeding Iceland's entry in NATO and said that that pact had been a constitutional violation at the time, although the Althing had accepted it later. He referred to secret documents from that time which had now been made public in Britain and the United States, and he felt that these documents showed that a foreign power, serviced by Icelandic politicians, had forced the Defense Force upon the Icelanders. The purpose of applying power, using trade pressures, among other things, had partly been to prevent Socialist participation in the government at the time.

Gestsson said that foreign pressure had mainly been applied to the Progressives, by the intervention of Vilhjalmur Thor for one, as they had been the most difficult to convince of all the so-called democratic parties.

Gestsson said the policy of the Socialists on Iceland being declared free was just as correct now as it was 30 years ago. He said that although it had been a slow process for the Thjodviljinn, the People's Alliance and the Association of the Opponents of the Military Base to promote the departure of the Defense Force and resignation from NATO, it had nonetheless been successful in preventing the Americans from gaining "a further foothold in the country after 1951", although many people had profited considerably from military speculation. In that respect, the closing of the Base television had been a great victory at the time.

Gestsson next referred to what he termed a change in character of the Base during recent years. The Keflavik Air Base is now different from what it used to be; it has become an important control station in the nuclear weapon system of the United States; an offensive station, not a defensive station, that is vulnerable for danger. He referred to an interview that THJODVILJINN had published with a Norwegian military specialist who felt that Europe needed another alternative in security matters; and that the change in character that had taken place at the Keflavik Air Base disrupted the "balance of fear."

When Althing went into recess yesterday afternoon because of meetings of the parliamentary groups, Gestsson had not finished his speech and three others were yet to speak.

It was noteworthy that when Foreign Minister Olafur Johannesson delivered his speech, most of the time there were no parliamentary members from the People's Alliance present. Gudrun Helgadóttir sat in on the latter part of the speech and two ministers, Ragnar Arnalds and Svavar Gestsson, entered the chamber when the foreign minister had only a few more sentences to deliver.

9583

CSO: 3111/36

'AFTENPOSTEN' COMMENTS ON COUNTRIES' INADEQUATE CIVIL DEFENSE

LD041035 Oslo AFTENPOSTEN in Norwegian 2 Jun 81 p 2

[Editorial: "Unsatisfactory Defense Facilities"]

[Text] It is regrettable that the government did not put more work into the Storting report on our civil defenses, when such a long time was allowed for it. The assessments of the threats we face make strange reading on a number of points, so strange, in fact, that justifiable doubts have been raised as to whether the Storting has been given the background material necessary to draw the right conclusions. And to a certain extent it must also be pointed out that the government's document is not exactly characterized by crystal-clear objectives.

The civil servants and organizations, which bear the responsibility for implementing out policies in this field have reacted strongly. The Storting Justice Committee attached great importance to the objections which have been raised, and ended with a unanimous statement that important parts of the problem complex must be subjected to further investigation by the ministry.

However, the Justice Committee has also said--just as unanimously--that civil defenses must be given a much higher priority, since we are now faced with a large discrepancy between the present situation and the targets drawn up in the past. These are positive impulses--which were repeated in yesterday's Storting debate.

Civilian and military defenses are two sides of the same coin. It is not enough to have armed forces in the traditional sense. If we are to be able to resist an attack and function as well as possible in a crisis or war situation, total defense readiness must be on a high level. We talk about being able to maintain a necessary level of self-sufficiency in important goods, about distribution nets, about a functioning health service, and so on. In short--civil defense in the widest sense of the word must be an integrated part of all social planning and activity. And yesterday's debate at least bore witness to a growing admission of this.

The most obvious shortcomings affect the civil defense forces. They suffer a shortage of manpower, of exercises, of training, of up-to-date materiel, of spare parts. And further--we still have a . too few shelters in Norway, and a number of those in existence lack proper equipment. Even though it is true that it is possible to point to one or two areas of progress, it looks as if the conclusion has to be that there will have to be many great efforts before these aspects of our defenses reach an acceptable level.

In our opinion, civilian defense, as well as the military, must assume a special position when tight budgets are discussed. Individual sectors must be given greater importance than others. Or to put it more directly, if we are unable to give our defenses, in the widest sense of the word, the necessary funds, things could quickly go so badly that there would be no need at all for any budget debates in the future. It could then be completely different powers deciding such questions for us.

This prospect ought to form the background to the Storting's discussion of the actual funds to be granted to civil defense--and civilian readiness as a whole.

CSO: 3103/151

STORTING PRESIDENT HANSEN VIEWS U.S.-EUROPEAN DISAGREEMENTS

LD051341 Oslo AFTENPOSTEN in Norwegian 3 Jun 81 p 3

[Liv Hegna report: "Frightened by Lack of Understanding of NATO"]

[Text] "Our membership of NATO is not a foreign policy straitjacket, but it must be made abundantly clear that it involves clear obligations," Norwegian Atlantic Committee chairman and Storting President Guttorm Hansen told the organization's annual meeting yesterday. He said that the security policy debate in Norway in the last few years has revealed a frightening lack of insight into what the alliance means: "It has actually been necessary to remind ourselves that the United States is the ally on which Norway is perhaps more dependent than any other country," Guttorm Hansen said.

"The wish for neutrality for Norway is one tendency in the security policy debate here. The same thing happened in the twenties and thirties, but the generation which is now beginning to assume key positions in the mass media and in public life in general does not have our generation's experience of war to build on when it comes to examining Norway's position. Young people's experience of war chiefly relates to the Vietnam war, a war which had the same effect on them as the Spanish civil war had on us," Storting President Guttorm Hansen said. He said that it is the reverberations of the Vietnam war which today mark the attitudes of the young.

"But it is a political reality that the United States is in the process of getting back onto its feet after the Vietnam war and the other catastrophic events to which the country has been subjected," Guttorm Hansen said, adding that the Norwegian people would have been in an almost rabid mood if the hostage affair in Iran, for example, has involved Norwegians.

"In addition to what the United States sees as insufficient will on the part of West Europe to improve its defense and insufficient reaction to the Afghanista.. invasion, there is the view in the United States that the Europeans did not give any real assistance in the hostage affair, but were more concerned about their relations with the Islamic nations, from considerations of trade. Together these considerations represent a situation which we must expect to place a heavy burden on relations with NATO," Guttorm Hansen said.

He stressed that Norway finds itself in a crossroads position between Europe and the United States, at the same time as we are the country within the alliance most

dependent on U.S. guarantees: "We must therefore make sure that conflicts do not arise between the United States and Europe," Hansen said, pointing out that there was growing skepticism over U.S. foreign policy, U.S. military strategy and over what many West European politicians have taken as attempts to dominate Europe: "The foreign policy cooperation in the EEC is perhaps the greatest success for international cooperation in the last couple of years. For the West European nations who stand outside this cooperation, it represents a very great burden. It is felt most strongly by NATO nations such as Norway, but the foreign policy cooperation within the EEC is also a problem for the neutral and nonaligned West European nations, which are searching for a solution to it," Guttorm Hansen said.

The Norwegian president also stated that the feeling of relaxation and detente which the Americans felt to be a result of the 1975 CSCE conference has turned out to be an illusion:

"What happened in the period after the conference was that behind the facade of detente there took place intense military rearmament. The Soviet Union's deployment of new missiles finally created a military situation which caused NATO to respond with its new missile policy in Western Europe," Guttorm Hansen said. He then asked why the military buildup in the East was not publicized or discussed in the West.

"The debate on NATO's nuclear arms got off to a bad start because public opinion had not been informed of what had happened in the years leading up to it. Nor did people succeed in correcting the arguments that were put forward to the effect that the deployment of new nuclear arms was an offensive measure," Guttorm Hansen said, adding that one of the reasons why more information is not published about what is happening in the East could be the fear of being branded as "warmongers."

Guttorm Hansen also said that the Soviet Union's invasion of Afghanistan had created a wave of anxiety worldwide and had been fertile soil for the growth of the worried and restless political atmosphere we are seeing today.

However, Guttorm Hansen rejected the notion that incorrect information is "planted" in the West to influence public opinion. He thought that misunderstandings were able to grow because of the lack of information from the authorities and that the new attitudes to our defenses were the result of a long period of peace. He also admitted that there were several groups in society, such as young people and women, which the Atlantic committee did not reach with its information activities.

CSO: 3108/151

BRIEFS

NEW ANTI-TANK WEAPON--The Finns have developed an effective anti-tank weapon, which may also find markets in the international market. In question is a poor man's weapon used for defense, a new type of anti-tank mine, which has been in the making for 10 years. In test firings the new mine has turned out to be more effective than currently available bazookas and even missiles. The mine can be attached, for example, to a tree trunk and fired into the side of a tank. From it is hurled a half-molten copper chunk, which punctures the armour and destroys the tank. A heavy version of the weapon was presented to the commander of the defense forces in Santahamina on Wednesday. The army has used side mines before, but not the new effective ones. A Swedish delegation representing that country's military staff under the leadership of a major general visited Finland a week ago. The purpose of the delegation was primarily to negotiate the sale of a new type Drake aircraft to Finland. The Swedes are offering to the Finns a version of the Drake, which is one-third less expensive than the previous Drakes taking inflation into consideration. The new Drakes would be assembled in Finland, and it has been contemplated that the new mines would be used as partial payment. [Text] [Helsinki HELSINKI SANOMAT in Finnish 21 May 81 p 12] 10576

CSO: 3107/93

COMPUTER SECURITY NEEDS UNDERESTIMATED BY DIRECTORS

Paris ZERO-UN INFORMATIQUE HEBDO in French (SPECIAL INFORA) 9 May 81 p 13

[Article by Jean-Pierre Vernet: "A Problem Underestimated by Upper Management. Anticipation and Reaction, But At What Cost?"]

[Text] In theory, the vulnerability of data processing systems and the need to protect the confidential or strategic data they contain are well recognized today. What is the practical situation in this area in the Rhone-Alpes region?

The data processing picture in the Rhone-Alpes region is rather special inasmuch as conventional data processing is concerned: in eight districts, about twenty centers have one or several computers at the IBM 303X or CIIR 66 level, and around 200 centers use medium power equipment such as 370, 43XX, 64, or equivalent. This shows that the profession has taken a human dimension in the region. The proof is the creation of ADIRA, a user's organization which started INFORA in 1969. Relations between computer specialists at all levels are easy and helped by a relatively low turnover, and whoever works in the business any amount of time is familiar with most of his peers.

Intensive Data Processing Activity

One of the consequences, and not the least, is that manufacturers and SSCI's [expansion unknown] are very close to their customers. This has two main results: there are practically no centers which are ignored by their manufacturers, and the level of participation of the latter is high. This also explains the apparently regional fact that their policy is followed very closely. This is showed by the widespread use of DPS [Data Processing Systems] equipment and the "standardization" of medium-power IBM centers to 43XX, DOS/VSE, CICS, DLI, ICCF. In contrast to the Paris region, the low number of installations operating on a three-shift basis, which implies carefully thought-out systems capable of absorbing peaks without trouble, is remarkable. The mass installation of 43XX systems replacing systems two or three times less powerful emphasizes this phenomenon.

The Rhone-Alpes region is also the region where manufacturers and national SSCI's usually install their first regional office: competition is fierce (at the last census, ADIRA counted 120 manufacturers or retailers and 400 service organizations of all kinds in the area). Because of this competitive pressure, and the fact

that many centers belong to national companies, there is no technology lag as compared to Paris. Information travels fast because formal and informal relationships between users are very real. On the other hand, Lyons and Grenoble constitute an important "brain nursery" whose production is higher than the national need, which explains in particular the fact that several national, and even international, SSCI's were born in the area.

If there must be a data processing decentralization, it will surely occur in our area because of the economic potential, the intensive data processing activity, and the distance from Paris. Finally, we cannot draw this brief picture without mentioning the mini- and micro-processors explosion which finds a fertile group in the some 6,000 small and medium companies in the area and is supported by about 100 software companies with one to five employees.

Risk-Consciousness

What about data processing security in this context? There have been only two major problems in the area in 15 years, and they are remote enough not to be widely remembered. In both cases, recovery took place within acceptable time and expense conditions. Interactive processing has expanded considerably since that time, and 4 companies out of 5 have their own TP [teleprocessing] system. Obviously, since medium-power centers are in the majority, there are probably not more than 10 networks with more than 200 terminals. Size alone is not important, however, and teleprocessing is not the only parameter. A large number of companies have also computerized their vital applications, and there is the real risk factor. As soon as finances, deliveries, production, and supply are tied to a computer system, it becomes the company's nervous system. The risk of paralysis then becomes real, and the people responsible in the Rhone-Alpes region are becoming conscious of it: at the end of 1979, a meeting of ADIRA on security was attended by about 50 people.

More Prevention...

To an outside observer, it seems that few companies have drawn up a complete security plan including prevention and recovery, hardware and software security. It seems that in the region, the most commonly developed measures are in the area of prevention and deal with hardware. Upon pressure from manufacturers, users have installed cabinets (off-site), detectors, extinguishers, access control, etc. These are tangible, concrete and easily budgeted measures readily visible to upper management which is becoming tired of constant increases in the data processing budget. On the other hand, there are few established doctrines and even less implementation in the area of software. It seems that banks may be somewhat ahead in this area. Is this due to the importance of the stakes or to the means they are able to apply, or both?

...Than Cure

There are very diverse positions concerning recovery plans. Most people in positions of responsibility and data processing managers are now convinced that improvised recovery of another user's system is complete utopia because of the diverse nature of the base software, peripherals, and terminals. Some of them

implicitly believe that physical preventive measures limit the probability of an accident sufficiently not to have to worry about possible consequences. Generally speaking, we note that software recovery problems are underestimated. Often, the only aspect considered is that of hardware/software compatibility. Preparation, logistics, checklists, data capture, and system peculiarities are neglected because of lack of time. It is assumed that these problems can be addressed when the time comes.

...And Controversies

The answers provided by data processing managers who were questioned reflect various situations and positions on the subject of security:

"We have had no major problem in the last 5 years, and nobody here is very sensitive to this question;"

"A study we started on this question was suspended because of other priorities;"

"We have studied the question and a report to management was not followed up;"

"We have a very precise plan. The implementation has been approved but is being delayed because of a lack of money and time;"

"This is a non-problem. Moreover, security measures are in conflict with flexible and efficient operation."

The most often mentioned difficulty is that of getting management to understand the importance of the stakes and the need for money, however small as compared to the risk.

Data Processing Management's Concerns

It is interesting to observe that this question never falls under any responsibility outside of data processing (within the overall security organization of the firm, for instance). This shows that in most cases, this concern belongs to the data processing manager alone, rather than upper management. Implementations in this area are varied, often partial, and not always planned. Costs are not known, and neither are ratios. Is it necessary to devote 2, 6 or 9 percent of the data processing budget to this area? An assessment of the stakes involved in critical applications is often unavailable.

In short, it seems that the Rhone-Alpes region has much to do in this area, as well as their counterparts in the rest of the country. The "01/INFOREP" investigation started last March should reveal much in this area. It is true that concern about security is becoming more widespread and is the order of the day at many conventions, meetings, and seminars, and in many recent articles. It is to answer this concern that ADIRA is organizing, within the scope of INFORA, a half-day session devoted to this subject. Two users have agreed to disclose the state of advancement of their work in the area of security and we can find there another proof of the cooperation which exists in the profession in the Rhone-Alpes region.

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REMOTE SENSING TECHNIQUES SEEN SERVING NATION'S INDUSTRY

Paris DEFENSE NATIONALE in French May 81 pp 63-69

[Article by Claude Jarry: "Remote Space Sensing: A Discipline in the Service of Economic Development, an Opportunity for French Industry"]

[Excerpts] The author of this article, Mr Claude Jarry, is an engineer working for the European Propellant Company (SEP). He is the adviser on space to the company's president, Mr Soufflet. Created on 1 October 1969, SEP was organized by bringing together sections of SEPR (Group for the Study of Propulsion by Reaction, of the Space and Motors Division of SNECMA (National Aircraft Engine Study and Manufacturing Company) and, since 1971, the industrial functions and means of the Ballistic and Aerodynamic Research Laboratory (LRBA) of the Missile Technology Directorate (DTEn).

SEP is a corporation with a capital of 60 million francs. A 66 percent subsidiary of the National Powder and Explosives Company (SNPE), it employs more than 3,100 people. Its turnover in 1980 will exceed 900 million francs. It is characterized by its high level of technology and its high percentage of management personnel and engineers.

The basic activity of SEP is the solid and liquid propulsion for strategic and tactical missiles, satellite launchers and satellites themselves. With a quarter of a century of experience behind it, SEP has become the European leader in propulsion. Long involved in propulsion activity, for several years it has been rebalancing its activities. Among them, it has been trying to use its acquired experience in new technologies towards the goal of better knowing the earth.

The entire domain of remote space sensing is treated in the following article.

Since its historical beginning, remote sensing has greatly broadened its scope beyond merely collecting, on a photographic plate, visible beams. Today it includes recording, from a distance the whole range of electromagnetic beams

for analysis, including infrared, thermal and radar beams. Man has learned, actually, to collect the entire range of these beams--even to stimulate their emission, in the case of active radar--and, from them, either to reconstitute images, or to place them in the form of numerical data a computer can interpret.

For 20 years, using the latest improvements in computer programming, there has been developed a body of remote sensing data which covers both the correction of errors introduced by the instrument, the correlation with data obtained elsewhere and stored in memory banks and the use, itself, of these data in order to extract from them the information which is being sought.

Remote space sensing has then two technological domains which are peculiar to it: the collecting instrument and the treatment of the data on the ground.

For the rest, it borrows from space technology, in general, the satellite which will provide the collecting instrument, its means to function (receiving structure, electrical power, altitude control, etc) and the telemetry route, allowing transmission to earth--and the reception--of the data gathered by the instrument.

The earliest experiments in remote space sensing known in the West were based on the use of photographic film taken by the American astronauts from the Gemini capsules. These films permitted various universities and laboratories throughout the world, but primarily in the United States, to develop the first methods for numerical treatment of data from remote sensing and to make potential users aware of the remarkable performance which could be expected from this technology.

Let us recall that, in France, an analogous awareness grew in time through the use of photographs taken from stratospheric balloons. These balloons' baskets were designed by the Ballistic and Aerodynamic Research Laboratory (LRBA), whose corresponding activities were assigned to SEP.

However, the beginning of operational remote space sensing dates from the launching of the American Landsat satellites (1972 for Landsat I). By offering all users worldwide access to these data, the United States inaugurated a new era.

Along with the Landsat program, a kind of "operational procedure" was created which will more or less govern the operational systems to be set up throughout the world in the near future. This procedure involves paying for access to the data provided by a remote sensing satellite. This differs fundamentally from the weather satellites, whose data are distributed free, and makes the economic value of the remote space sensing data concrete, with a calculable profit. It is thought at present that data from weather satellites have much more scientific value or are the result of public service on a worldwide scale.

Moreover, there are two ways for a user to gain access to the data gathered by a remote sensing satellite:

--the user buys, on a piecemeal basis, the data concerning a region of the world which interests him, either in the form of a picture or in the form of a tape recording;

--the user has a satellite receiving station and, paying a fee to the country which owns the satellite, obtains the right to receive the transmitted data.

Finally, any user has a right of access to data concerning any point on the globe.

This last principle, which guarantees the equality of all users with respect to each other, cannot be maintained without raising serious problems of national independence, when the data gathered by the new remote sensing satellites is available, whose resolution attains 30 meters for Landsat-D and 10 meters for SPOT [Earth Observation Probe System]. In the case of the present Landsats, whose resolution is 100 meters, its application has not raised any specific problem: a resolution of 100 meters does not produce information of a military nature.

About a dozen stations exist throughout the world to receive the data from Landsats 1, 2 and 3. These stations provide even today, with few exceptions, complete coverage of land masses. One should not think however that this saturates the market for remote sensing stations. Considerations concerning national autonomy, or a country's discretionary powers in the economic studies it may be conducting from remote space sensing, lead more and more governments to try to use their own receiving stations, while they could obtain the same information by asking a neighboring country having a station or the country owning the satellite (the United States).

Remote sensing has seen accelerated growth over the past 2 years which is due most likely to an awareness growing out of the need to better manage the use of the planet's resources and also to an anticipation of the new generation of satellites: Landsat-D and SPOT, which, with much higher performance, are going to further increase the interest in remote space sensing. French industry has only been modestly involved in the first era of remote space sensing, that of Landsats 1 to 3: the system was of American origin and nothing had therefore prepared our industry to be able to compete in the markets for receiving stations which existed in the world during that period. We can however point out that on the level of equipment, French industry developed, during that period, interacting consoles, high precision image restorers, key elements in the use of remote sensing data, as well as the software for processing. These kinds of equipment or services often found export markets, notably the Vizir of SEP which was sold to Brazil, India and Germany.

The decision made by France to have a national program for remote space sensing will permit French industry to take a major step forward and enter the market for complete reception and correction systems, on the one hand, and their use, on the other.

By entrusting to SEP the management of the reception and correction station for data from the SPOT program, a station whose construction involves, in addition to SEP, eight major industrial firms, the National Center for Space Studies has created conditions allowing the development, after this first step, of an entire export program for systems, equipment and services for remote sensing.

Results were not slow in coming. Hardly had the agreement for the construction of the station in Toulouse been signed than SEP was able to announce the signing of two large contracts, the building of a receiving and pre-processing station for Landsat-D data in Brazil and that of a center for the use of remote space sensing data in Bangladesh. The participation of SEP and of its French associates in the inter-African station of Upper Volta is moreover certain.

Given the very nature of remote space sensing, which is at the heart of establishing means with which to survey and manage states' resources and particularly those of the developing countries, the presence of French industry at the head of high technology export trade is necessary to guarantee our country's economic influence and it will be an appreciable element in its influence in the world.

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